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ABSTRACT

Prepared for the Administrative Management Course Program, this instructor's manual was developed to serve small-business management needs. The sections of the manual are as follows: (1) Lesson Plan--an outline of material covered, which may be used as a teaching guide, presented in two columns: the presentation, and a step-by-step indication of procedure; (2) The Presentation--a subject presentation; (3) The Visual Aids --photographic copies of the set of visual aids which are available for this topic; (4) The Supply Department--materials that may be reproduced locally for distribution to course participants; (5) Cases in Point--short actual small-business management cases that may be used to augment the presentation and to develop discussion, or as the basis for a second session; (6) The Incubator--ideas for stimulating further thought and discussion by the participants. A< bibliography is provided, and field offices of the Small Business Administration are listed. (DB)

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MARKETING RESEARCH

INSTRUCTOR'S MANUAL
MANAGEMENT DEVELOPMENT PROGRAM

SMALL BUSINESS ADMINISTRATION

TOPIC SEVENTEEN

AC012358

MARKETING RESEARCH

INSTRUCTOR'S MANUAL
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SMALL BUSINESS ADMINISTRATION

TOPIC SEVENTEEN

2

SMALL BUSINESS ADMINISTRATION

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FOREWORD

This booklet was prepared for the Administrative Management Course Program. The program was developed by the Small Business Administration to bring sound management knowledge and procedures to the owners and managers of small businesses. Rapid progress of this management education undertaking has been realized through cooperation of educational institutions throughout the nation. In 13 years more than 1,200 universities, colleges, and local school systems have cosponsored over 6,000 courses with this Agency. Approximately 200,000 owners and managers of small businesses have attended these courses.

The participation by these hundreds of educational institutions is a distinguishing demonstration of public service. There remain, however, thousands of small-business owners and managers who have not yet had the opportunity to attend an administrative management course.

This is the second booklet in a second series of subject presentations on administrative management intended to serve small-business management needs.

These presentations of management subjects are prepared specifically for use in the SBA program of management courses but may find application in a wide range of training situations. To enhance their utility, lesson plans, lectures, visual aids, case studies, and handout material are included. Smaller communities where library research facilities are limited and equipment for the production of visual aids is not readily available should find them especially useful. It is expected that they will assist other management improvement programs, will emphasize the importance of continuing education for small-business owners and managers, and will be helpful to the busy instructor with his preparation.

Additional application of this presentation of *marketing research* is to assist in implementing the objectives of other SBA programs. These include the programs dealing with technology utilization, business innovation, management assistance counseling, and the relocation of small businesses resulting from urban renewal and highway construction.

The preceding series of administrative management subject presentations consists of 15 booklets identified by "Topic 1" through "Topic 15." The present series continues the number sequence and begins with "Topic Sixteen." This one therefore, is "Topic Seventeen."

The author of this booklet, Lee D. Davis, is a recognized author of business and program publications and former president of an audio visual firm. It was prepared with the supervision of Dr. Weston R. Clark, Education Specialist, and the administrative direction of Wendell O. Metcalf, Chief, Education Division.

ROBERT C. MOOT
Administrator

February 1968

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*A set of the visual aids is available from the nearest SBA regional office (see inside back cover for listing). These visuals are 8- by 10-inch colored transparencies for use on overhead projectors.

**Among the materials prepared as "handouts" to participants are several SBA free publications. Current information on the availability of suggested and new SBA publications may be obtained from the nearest SBA office.

A WORD ABOUT THIS SESSION

This publication, one of a series, is directed toward teaching management skills to the small-business man. When the term "management" is used, it refers to administrative management functions rather than to purely operational features of business. Persons or organizations interested in cosponsoring small-business management courses may obtain a complete list of available subject presentations and be provided on loan a selection of needed booklets from the nearest Small Business Administration field office (listed on the inside back cover). Single booklets or complete sets may be purchased from the Superintendent of Documents, Washington, D.C. 20402.

Topic Seventeen, "Marketing Research," was prepared to aid in teaching one session of a basic course. It contains sufficient material for a 45- to 60-minute lecture which is usually followed by a discussion period. The management *case* can be used to extend the session or as the basis for a second session on the topic.

The lecture material is designed as the basis for a presentation to businessmen in nontechnical language. It represents *one* approach to informing them of the value and use of *marketing research* in their business. It is expected that instructors may wish to modify or revise the lecture according to their personal background and experience in the subject area. They may find it desirable to adapt the treatment to meet the training or special needs of their participants.

Should time limitations necessitate shortening the presentation selected deletions are feasible. Suggestions for deletion include parts of the Census Data treatment of section VI, Statistical Research; section X, Motivational Research; and parts or if necessary all of section VIII, Survey Research. These parts *could* be omitted without destroying an effective sequence of subject treatment.

This Topic may be handled by a marketing specialist, a personnel executive, industrial psychologist, or another whose training, experience and interest qualify him.

The various sections of the publication are separated by divider sheets of different colors. The following colors are given and the contents of the sections are briefly described.

Gray—*The Lesson Plan.* An outline of the material covered which may be used as a teaching guide, or as a framework for developing an individualized presentation. The lesson plan contains two columns: The left-hand column is an outline of the presentation; the right is a step-by-step indication of procedure, including chalkboard suggestions, quotations, discussion points, and a keyed guide to the visual aids supplied.

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Rust—*The Presentation.* A carefully prepared subject presentation which may be used as written or modified to meet local needs and conditons. It may also be used as a source of information by a person preparing his own lecture.

Buff—*The Visual Aids.* Photographic copies of the set of visual aids which are available for this topic. These visuals are 8- by 10-inch colored transparencies prepared for use on overhead projectors. The subject presentation and lesson plan are keyed to the visuals. A set of visuals for each subject in this series may be borrowed from the nearest SBA regional office.

Green—*The Supply Department.* Materials which may be reproduced locally for distribution to course participants. Your nearest SBA office can furnish information on current availability of SBA free publications, including titles published subsequent to this volume.

Yellow—*Cases in Point.* Short actual small-business management cases which may be used to augment the presentation and to develop discussion, or as the basis for a second session on the same topic.

Blue—*The Incubator.* Ideas for stimulating further thought and discussion by the participants. This material may be reproduced locally for distribution to course participants. "Assignments" are designed to aid in retention of the subject matter of the session.

NOTE: See back cover for index reference to the divider sheets.

INSTRUCTIONAL FORMAT SHOULD BE STIMULATING

Use The Three B's

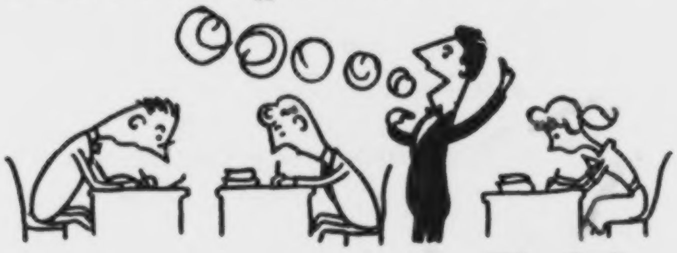
- ***Base*** instruction on problems at learners level.
- ***Blend*** instruction with job experience.
- ***Brighten*** instructions with variety of ***illustrations, investigations*** and group ***participation.***

FOUR BASIC STEPS OF INSTRUCTION

Instructing is like selling - -

Selling	**Instructing**
1. Approach customer	1. Prepare the group
Promptness	Start on schedule
Put at ease	Put group at ease
Awaken ***interest***	***Awaken interest***
2. Present merchandise or service	2. Present information
Select merchandise to fit need	Gauge material to needs
Show one item at a time	Present one point at a time
Demonstrate ***selling points***	***Show, illustrate, question***
3. Have customer take part	3. Have group participate
Get merchandise into customer's hands	Get group to ***discuss***
Let customer "try on" merchandise	Have members ***demonstrate*** or ***use*** ideas
Answer questions and meet objections	Answer questions and correct errors
4. Bring sale to close	4. Bring meeting to a close
Help customers decide; ask:	Check on understanding; ask:
"which"	"why" "how"
"for whom"	"when" "what"
"when"	"where" "who"
Be sure merchandise fits need	Be sure group now can use information
Summarize points of care and use	Summarize "take away" ideas
Handle mechanics of sale	Make a definite conclusion
Pave way for return visit	Pave way for next session

How To Deal With "Difficult Customers"



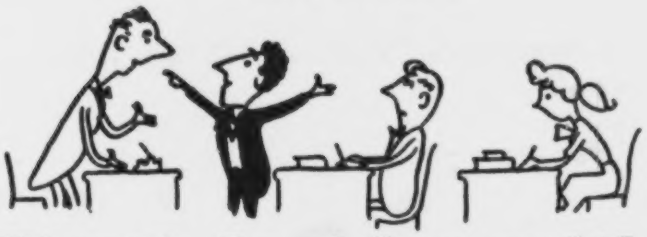
What To Do

THE "MOUTH"—wants to do all the talking.

Take the play away from him by asking others to comment on his remarks.

Deliberately turn to others and ask for their opinions. Avoid looking at him.

Tactfully ask him to give someone else a chance, or talk to him in private.

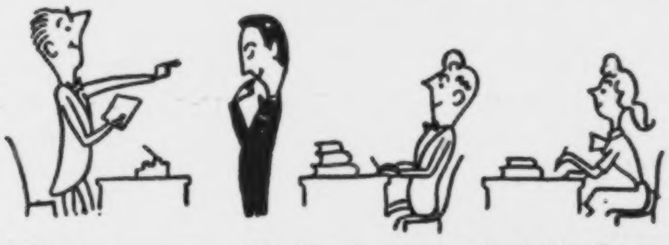


THE "ARGUER"—constantly tries to catch you up.

Keep cool. You can never "win" an argument. Always make him back it up. Ask for evidence.

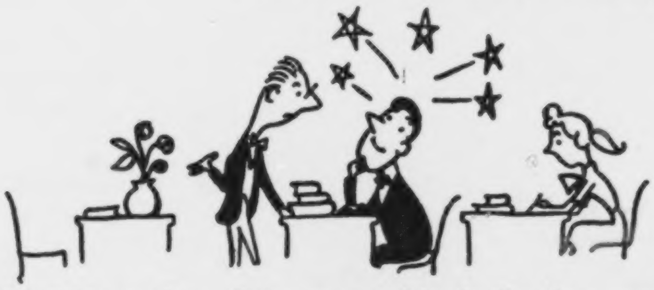
Avoid getting personal.

Refer the question to the group and then to him.



THE "MOUSE"—is in every group.

Call him by name and ask him for an opinion. Ask him an easy question he is sure to answer well, then praise him. This person is worthy of your attention.



THE "SO-WHATER"—is disinterested.

Point up something he has done as a good example of the point being stressed. Ask direct questions affecting his work.

THE LESSON PLAN

A Keeping on Target

Section

Good teaching depends on good planning. A session objective or target must be set. Then the points are selected that will enable one to keep hitting at the heart of that target.

The primary aim of the instructor is to first give the participant the things he MUST KNOW, then the things he SHOULD KNOW. When these two aims have been achieved, the topic can be embellished with the like to know and helpful to know elements.

The following lesson plan is "on target." If it is used as a guide, it will enable the instructor to emphasize the major points while at the same time it stimulates the participants to grasp the subject.

LESSON PLAN

TOPIC: MARKETING RESEARCH (A Search for Facts *Not* Opinions)

OBJECTIVES:

To indicate the need for facts in marketing decisions.

To give information on the kinds and methods of marketing research.

To outline procedures the small businessman can use to get marketing research.

To promote the benefits of a systematic approach toward business.

SESSION CONTENT	TIPS AND APPROACHES
I. INTRODUCTION	Use the funny line "Don't confuse me with facts! I've already made up my mind," or other appropriate opening.
A. Too often decisions are based on opinions *not* facts	
B. A businessman needs facts	
C. Get facts from marketing research	
II. WHAT IS MARKETING RESEARCH?	
A. Systematic and intense study of the factors affecting a selling business	Visual #1
B. Newsboy engages in marketing research	
1. Bases for purchase of newspapers	
a. Sales experience b. Weather c. Special events d. Stories breaking e. Competition f. Scans for special new items	

2. His marketing research reveals facts on:

    a. Customer interests
    b. Market potential
    c. Marketing mood
    d. Competitive features
    e. Environment

III. WHO NEEDS MARKETING RESEARCH?

A. You've been doing it since you decided to go into business

B. Need as long as in business

1. Buying habits change
2. Flexibility a survival factor
3. Marketing research offsets gamble

Visual #2

IV. WHY MARKETING RESEARCH?

A. Admittedly an expense

B. Marketing research provides facts to help.

Visual #3

1. Find profitable markets
2. Select saleable products
3. Recognize market changes
4. Improve marketing methods
5. Plan realistic goals

Use progressive disclosure technique.

C. Major companies have added marketing research

1. Reliable techniques
2. Management follows the advice

V. WHERE TO GET MARKETING RESEARCH?

A. Business association

B. Independent research service

C. Organize own firm effort

VI. STATISTICAL RESEARCH

A. Fundamental research from available sources

B. Sources of local statistics

C. Using Census Data
data

1. Use combined with other data

2. Need only imagination and key figures

D. Changing population

1. Nation of young people; over half under 25 years
2. Marriage boom in 1970's
3. Moving geographically
4. People over 65

E. Market Fact file

1. Local newspaper
2. Financial news & periodicals
3. SBA and other Government information

VII. SALES ANALYSIS

A. Own records yield research data

B. Specify questions for well defined results

C. Facts from sales records

1. Trade area maps
2. Customer information
3. Price information

D. Analysis for sales management

Visual #4

Visual #5

At this point ask for statistics affecting area. Have regional marketing survey information available or to hand out & discuss

Visual #6

Give example of appliance manufacturer who pinpointed local changes in distributor's market. Telling distributor generated solution.

VIII. SURVEY RESEARCH

A. More current than "historical"

B. Not kind of research for beginners

   1. Questionnaire design
   2. Pretest of questions

C. Steps in survey research

   1. Analyzing the situation
   2. Stating the problem
   3. Designing the research
   4. Conducting survey(s)
   5. Tabulating and reporting
   6. Solving the problem

D. Store interviews

   1. Trained interviewer
   2. Questions should be limited in number and simple
   3. Variation is to offer a premium or contest entry blank

E. Home interviews

   1. Planned questionnaire used by trained interviewer
   2. Can include observed data
   3. Effectiveness as good as the interviewer
   4. Limited somewhat by ability of respondent to answer

      a. May use indirect question
      b. Open ended questions

   5. Validity of answers

      a. Influenced by bias
      b. Depends on representation

         (1) Pick "universe"
         (2) Number of respondents less important than the representation

Tell class the steps in terms of supposing that they own a chain of cleaning establishments.

Visual #7 (Use as summary)

Give an example of how a single word can imply bias ("warm" wool).

F. Mail surveys

1. People liked to be asked
2. Serves as a kind of promotion
3. Word of caution: people become "opinion" givers, not consumers

   a. Results may mislead
   b. Questions may not get at real reasons people buy

4. Has advantage of freedom from bias & inexpensive

Tell class about coffee company which got some results from mail & home interview. Also, correctness of mail in Truman victory.

5. A sample questionnaire

Visual #8

Have class discuss survey questionnaire.

G. Telephone interviews

1. Explain survey
2. Climate for this type worsening
3. Questions should be direct and short

H. Other types of surveys

1. Demonstration center
2. Panel or test group

IX. OBSERVATIONAL RESEARCH

A. Direct measurement of consumers in market

Visual #9

B. Measures behavior, *not* reason for buying

C. Methods—Mechanical or human observers

D. Benefits

1. Useful in improving layout
2. Useful in improving displays

E. Advantage and disadvantages

1. Observational methods offer advantages of scientific procedure and fewer variables	
2. However, may be expensive, hard to analyze and not tell why customers behave as they do	
X. MOTIVATION RESEARCH	
A. Seeks to evaluate psychological factors involved in marketing problem	
B. Examples of use	Tell cigarette Motivation Research story
C. Methods	
1. Depth interviews 2. Word association 3. Sentence completion 4. Thematic apperception	Visual #10
XI. EXPERIMENTAL RESEARCH	Visual #11
A. Like a scientific experiment	
1. Small scale sample 2. Scientific control	
B. Used by large companies	
1. Test markets	
C. Used by small companies	
1. Testing displays 2. Testing advertisements	
XII. APPLYING RESEARCH DATA	
A. Preparing the research report	
B. Using charts and graphs	Visual #12 and Visual #12A

C. Analyzing the marketing research facts
   1. Do they really tell what is needed
   2. Is some factor being overlooked
   3. Are the data complete enough to be used
   4. Is there a dissenting vote

D. Forecasting

XIII. SUMMATION

Hand out *Focal Points*

A. Need for sound, factual marketing research

MARKETING RESEARCH

(A Search for Facts *Not* Opinions)

INTRODUCTION

Have you ever heard the saying "Don't confuse me with facts! I've already made up my mind?" We tend to laugh at the idea anyone would deliberately avoid available information. But it is no laughing matter that many businessmen do exactly that—they fail to utilize pertinent facts they could get and that are vitally important to the conduct of their business.

The shortcut many businessmen take is to use *opinions* and preconceptions instead of facts in making business decisions. They say to themselves that they'll add a certain line of products because they've "heard" they are very popular . . . or they "think" this new plan will build sales . . . or, worse yet, "I'm going to do that because my competition is doing it." The bankruptcy courts are full of the results of well intended but mistaken opinion. Is it any wonder that some people say computers are better decision makers than a lot of businessmen? Computers can only handle facts; they don't compute opinions.

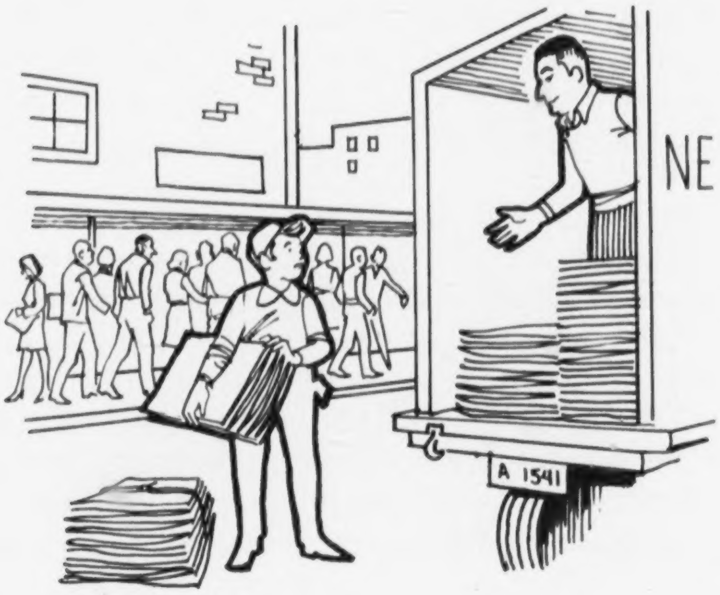
So right away you say, "Sure a business should run on facts but just how does the little guy find them in a distribution business"? And the answer is, you find them through *marketing research.*

Up until now you may have thought "marketing research" was a Madison Avenue term for a lot of statistical mumbo jumbo. But I'm here to tell you that marketing research is a necessity for any well run business enterprise and it's not just the province of giant corporations and high powered specialists.

WHAT IS MARKETING RESEARCH?

To begin with, what I mean by *marketing research* is simply the systematic and intense study of those factors that affect any selling business. Notice I have called it "marketing research" not "*market* research" because "marketing" is a broader term than "market", covering the entire distribution process, not just customers and where they buy.

Let's reduce marketing research to the lowest common denominator so I can show you what I mean. The simplest full time business enterprise I can think of is that of the corner newsboy. And if he's doing a really successful job of selling his newspapers he's engaged in marketing research. You see, prior to telling the news truckman how many papers he wants each day, the good newsboy has settled some pretty important marketing matters. Of course, he knows how many papers he usually sells on that particular day of the week so that's one fact that he has on tap from his own experience. But then he checks to see how the weather is for that day and considers what effect this is going to have on the number of people in town and on their mood to stop and buy papers, so there are some more facts that he feeds into the important decision-making process of how many papers to buy.



But that's not enough; this boy is sharp, so he checks to see if there are any special events, conventions or meetings that might bring additional potential customers by his corner. He might even go so far as to check to see what stores are having special sales. And because this boy is really on his toes, he checks the early edition to see what news events are breaking that may add extra customer interest. He might even "cop" a look at a competitor's paper, if he has time, in order to know the product he is trying to outsell. And because he doesn't want to miss any tricks, he makes a quick survey when his papers arrive to see if there is any item of special news interest that he may be able to exploit for extra sales.

He does all this before he tells the man how many papers he wants. *This* is marketing research—getting all the facts reasonably possible on customer interests, market potential, marketing mood, competitive features and environmental factors. Of course, our ideal newsboy does not make written records of his research findings each day. But, if he systematically does these things each morning he is performing marketing research.

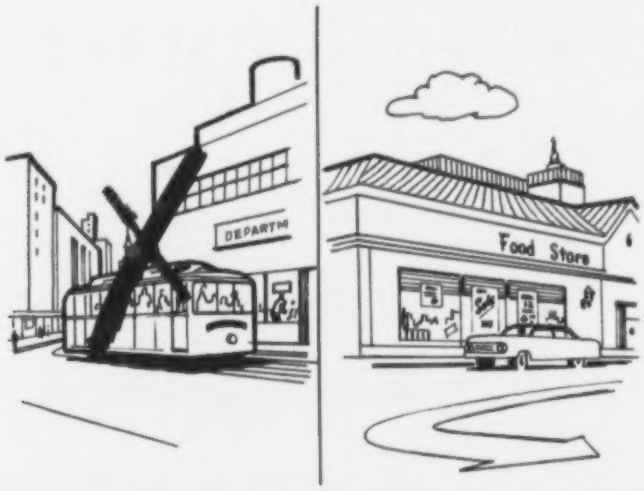
I wonder if you do as good a job, relatively, as that newspaper boy. What do you think?

The fact is, that you've been doing some kind of marketing research since the day you decided to go into business. You considered the location, customer level, convenience, number of competitors and product lines right from the start. Hopefully, you were making even those first decisions based on *facts* not opinions.

And whether you know it or not, you continue to *need* marketing research as long as you remain in business. Today the marketing habits of people change at a frightening rate. If you don't believe this, think what has happened to buying habits just since the end of World War II.

Changes in Marketing Habits

City people used to shop downtown and used largely public transportation. But the massive move to the suburbs and the preponderance of automobile ownership caused the suburban shopping center to become the dominant retail outlet in most parts of the country. This same mobility, plus the advent of larger and better refrigerators and home freezers changed the food-buying habits from everyday purchases in the neighborhood to large-scale shopping for foods, at lower prices, on a once-a-week or even longer basis.



In like manner, our new way of living and shorter working hours created an interest in convenience products, do-it-yourself goods, and sporting equipment. The purchasing power of our affluent society increased demands for luxury products and services, but in counterpoint, people became more "value" conscious of expenditures. This development made discount stores both a tremendous success and a new factor in buying habits.

And the changes go on and on. Television has not only produced a great industry in itself, but has developed a vast new method of disseminating information and advertising which in turn steps up the rate of changing habits even further. And marketing research itself has proven a factor in rapidly changing buying patterns and habits.

What it all adds up to is the need for a business to remain flexible—to change just in order to survive. The very speed with which the changes continue to occur increases the gamble of doing business and marketing research is the means of off-setting that gamble. Who needs marketing research? Why *you* do!

WHY MARKETING RESEARCH?

Admittedly, marketing research, like all other good management functions, is an added expense. But the value received in business effectiveness makes marketing research a well justified expenditure.

Effective marketing research provides facts and information which will help (1) to determine which are the most profitable markets to cultivate and locate soft spots in market coverage, (2) to select salable new products and find out reasons why existing products are selling well or poorly, (3) to recognize short- and long-run changes in the market, (4) to discover ways of improving marketing methods, and (5) to plan realistic, attainable market goals.

MARKETING RESEARCH HELPS TO:

1. **Find markets**
2. **Select products**
3. **Recognize changes**
4. **Improve methods**
5. **Plan goals**

Today's great competitive pressures on all business have already convinced most major corporations of their need for marketing research. This recognized need is evidenced in the formation of marketing research departments in the majority of dynamic companies, especially those dealing with distribution of goods to a mass market.

What is more important, the reliability of sound research has been proven. Enlightened managements have learned to follow marketing research advice. Gone are the days when a business manager, in a large or even a small business, can afford to follow his hunches.

WHERE TO GET MARKETING RESEARCH

But where can the small businessman go to get this needed marketing research? There are three categories of sources to consider. First, his trade association, and regular business advisers and business agencies, and, then, to a limited extent, his suppliers may be able to offer much factual information. All these facts can then be supplement with his own research efforts. Or, secondly, the businessman can acquire the services of an independent marketing research service. Thirdly, he can organize a marketing research effort within his own firm. Which method to choose will depend, of course, on the resources of the firm, the availability of the needed information, the complexity and size of the problem and the costs involved.

STATISTICAL RESEARCH

Regardless of who is going to carry out the research, a good place to begin is with *statistical* research from currently available record sources. This is fundamental in marketing research. Often it is the most important and usually yields the greatest value, within its limits, for the investment made. It should never be considered as the only research necessary, however, because it cannot measure all the factors affecting a business. In a sense, the statistical research is the background that must be available for planning and evaluating other research phases.

Sources of Local Statistics

You could begin by locating whatever statistical research has been made about your community. Ask your local or State chambers of commerce, and city government for reports on your community. Such ready references usually give the age distributions in the community, income averages, numbers of various types of business, and something of the economy of the area. Sometimes they are even more detailed, giving the amounts of expenditures on various categories and figures on spendable income.

Such ready-made research can be most valuable in planning your marketing policy. The more you know about your market, the surer you can be about how they purchase, what they want, and how much they will have to spend.

If there are no statistics available from these sources, you might purchase or borrow from your library the U.S. Commerce Department's Census Set on your State.

If you do not wish to purchase the census set, it is likely that your library, chamber of commerce or area business association has the data available. (For additional uses of census data see *Management Aid* No. 187 in *The Supply Department* section.)

How to Use Census Data

By intensely studying the meaning of the census information for your business, you will be able to arrive at some pertinent facts which may prove to be useful in your business. For example, you could use this census data to compile a profile of your market by establishing the age distribution of the local population, the average income, size of family, whether they own or rent, whether they own an automobile, and how many school age children. By combining such data with other data and computing established ratios and percentages, you may be able to establish all kinds of useful and interesting facts.

USING CENSUS DATA TO COMPUTE YOUR MARKET POTENTIAL

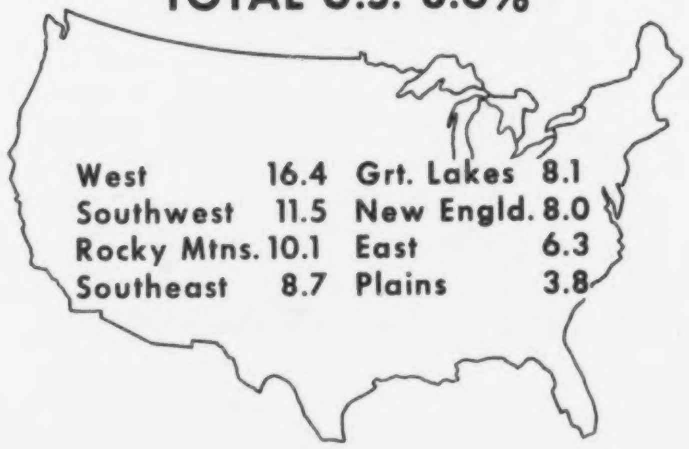
Local Population	**197,321**
X Per capita income	**$2,700**
= Gross income	**$532,766,700**
X % of food purchases	**.20**
= Total Potential Food Sales	**$106,553,340**

For instance, you could take the total income for your area, and if your trade group has established a percentage of gross income normally spent for your product group, you can determine the potential sales total for your geographic trade area. Then, or with some refinements and adjustments, you might find your share of the market. The kinds of valid information that statistics reveal are limited only by imagination and the availability, somewhere, of the key figures you need to compute them. While we can't take the time to make detailed studies of each of your business types, let's look at some kinds of information and projections that statistical studies yield for the nation as a whole.

Changing Population

One rather important fact that becomes apparent in studying age distributions is one that you may have heard—that we are becoming a nation of young people. Right now, over half the population is under 25 years of age. The reason is simply the giant baby boom after World War II. People who had put off marriage and a family during the depression and war years created a substantial birth rate increase in the years from 1947 to 1957. The peak was reached in 1957 when births reached the record of 4,308,000. But in 1958 the birth rate began to move downward. The effect of that increased birth rate on supplies for babies, growing children and school children is now history.

But looking at those figures and considering those nearly 50 million new Americans added in that 10-year period, it suggests a projection of another boom when that group reaches marriageable age. In our present society, couples tend to marry younger — in the late teens and early twenties. So this suggests a vast new market potential for new families in the 1970's—new homes, furnishings, automobiles and, barring unforeseen socio-economic influences, still another population boom when they begin to have families in the late 70's and 80's.



POPULATION GROWTH
1955-1960
TOTAL U.S. 8.6%

The census figures show us, too, that our population is on the move geographically. The Far West has led the nation in growth, not only in terms of population but also in per capita income *increase* and in new industry. The Southeast is beginning to grow faster than the national average and may offer the next big growth area as the Western migration levels off. Whatever happens to a region eventually affects communities and, certainly, the businesses in those communities. As you might have suspected, there has been another boom in age groups, that of persons over 65. There are now, in fact, more than 18 million of them. As improving health care increases longevity, there will continue to be more retired persons in this country. Their special needs as consumers will offer new opportunities for products and services.

But in order for this kind of statistical analysis and projection to be useful to you, you need to know what is happening in your trade area. Have any of you read of statistics that affect this area?

NOTE: *Here it would be most beneficial for the discussion leader to have available census information on the area represented by his class. Market survey information from the local chamber of commerce, regional census or newspaper will add materially to the discussion. Even a mimeographed page of such information passed out to the class will aid discussion of business trends in the area.*

Market Fact File

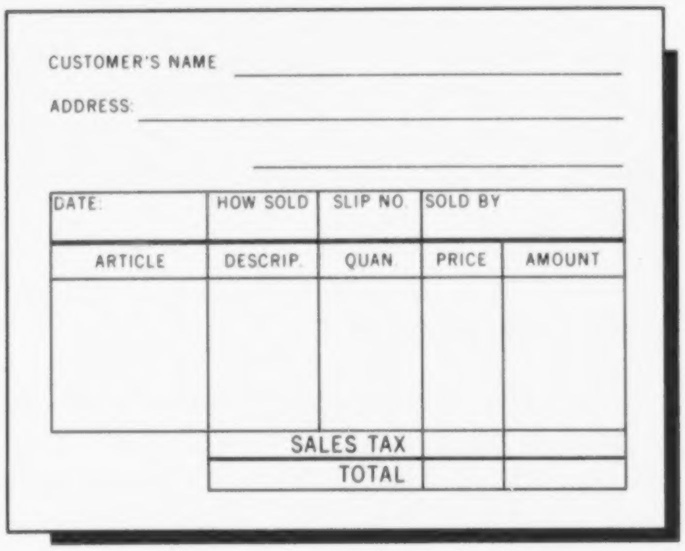
Another way to gain some of this statistical information is to start a "market fact" file or scrapbook of such data which frequently appears in the newspaper and in trade publications. Individually, these facts may not seem important or have any direct bearing but when collected and studied over a period of time they can prove to be an important source of marketing research. For example, your paper may carry a report of income levels for the community or the results of some survey. The financial page of your major metropolitan newspaper is a ready source of much of this important statistical information. Also, business publications, such as *Fortune*, *Business Week* and *The Wall Street Journal*, offer a wealth of information that will prove useful background for your own marketing decisions. Often, all that is necessary is simply underlining or circling the information and filing the clipping for future reference. Then, too, as a small businessman you ought to utilize the statistical information aids readily available from State and Federal Agencies, including the Small Business Administration. Much of this information is free for the asking and will add materially to your market research files.

SALES ANALYSIS

Another kind of fundamental marketing research is *sales analysis*. Right within your own business records there may be a gold mine of marketing information that needs merely to be researched and put to use.

Here, as in all research, it is best to start by carefully specifying what you want to find out. Don't just say, I want to survey our product sales, but specifically name the things you want to know, like: How many X-brand televisions did we sell last year? Or, how many customers came from outside of the county? Or, what was our percentage of increase in a particular brand line over the previous year? Once the problem has been clarified, the research needed to give the answers becomes that much better defined.

SALES SLIP INFORMATION



CUSTOMER'S NAME ____________________

ADDRESS: ____________________

____

DATE:	HOW SOLD	SLIP NO.	SOLD BY	
ARTICLE	DESCRIP.	QUAN.	PRICE	AMOUNT
	SALES TAX			
	TOTAL			

Facts from Sales Records

Exactly how you use your records for sales analysis will depend on what kind of sales records you keep. But look over some of your sales slips or order forms. Isn't there some meaningful aggregate information available there if you were to compile them and compute some totals?

Take, for instance, the information on a sample of a clothing store sales slip. What might many such sales slips tell us other than what is the obvious facts of the sales transaction? Well, suppose we wanted to accurately measure our trade area. By using all of the sales slips over a long period, a very clear picture of the trade area and even of the density of sales within that area, assuming we have sales slips that are representative, could be shown by pins on a map. Not only that, but suppose we changed the color of the pins for each month's sales. Now we have not only prepared an accurate marketing research map but we can even see what areas buy most frequently and at what times of the year. That might even allow us some fundamental assistance over a period of time, in changing buying habits or shifting store loyalties. And if we accurately placed the pins, we might even use coded pins for repeat customers and find out where they come from.

Suppose the problem for our store was to increase the amount of repeat business, generally. A simple name classification of the sales slips would quickly yield the number of repeats. And if we needed the information, even the average amount of repeat sales could be aggregated.

In another instance, the research problem might be to determine what price shirts to feature or order. Assuming this information wasn't readily available in the inventory records, the sales slips would yield a classification of sales by price as a guide for future orders. Further study would show what price shirts to feature for added sales benefit.

By thinking ahead about needed information, coded symbols can be used on each sales transaction to answer whatever market question exists: color of product, sex of buyer, age of buyer (probably estimated), even the buyer's response to a particular promotion or individual display.

Analysis for Sales Management

Sales analysis is a particularly important step in marketing research to help you in sales management. You could find out what salesmen are selling which products and even to what type of buyer. Sometimes merely focusing attention on a needed area is all that is required to see how to overcome the problem. In that instance, marketing research pays off immediately and directly.

As an example, one appliance manufacturing firm undertook a program of sales analysis as a part of its regular marketing research program. The researcher previously knew, of course, gross changes in their market. But by analyzing specific distributors and their territories, he was able to pinpoint local changes in the market. When one dealer cut his purchases of a particular popular television set by 50 percent over his previous year, the analysis raised the question as to what had caused the loss in sales. The distributor was able to come to grips with the dealer's problem by suggesting special promotions and encouraging new sales pointers. Such sales analysis projects, often allow modernization of sales territories, selection of new distributors, and assignment of additional sales representatives.

SURVEY RESEARCH

But, of course, the limitations to both statistical and sales analysis research are that they are based on "historical" information. Even with the advent of high speed computers that rapidly process statistical information and mathematical projections of trends, this information is still dated before it is ready to use. What is often more meaningful, although often much more expensive to obtain, is *survey* research from the consumers themselves.

Let us begin by stating that for all the great value and success credited to survey research, it is not a practice for beginners and amateurs. It should only be undertaken with competent advice and careful professional planning. The construction of an objective questionnaire, free from bias and prejudice is a fundamental requirement for any survey. Usually, the professional survey planners will only authorize a questionnaire for use after specific definitions of the survey goals, informal tests of the proposed questions and a complete reevaluation of the questionnaire prior to its use.

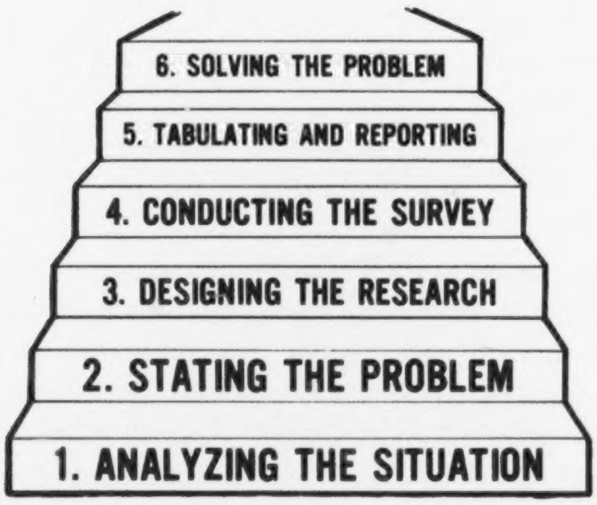
This is not to say that you are required to hire a professional service in the formulation of a survey, although you may be well advised to do so, because it is possible, certainly, for a businessman to train himself in question preparation with a little diligent study.

Steps in Survey Research

Regardless of who will carry out the marketing research, it is essential to understand the steps which make the survey effective. So let's construct an "anatomy" of marketing research. Suppose we own a chain of dry cleaning establishments and we've hired a marketing research firm which specializes in consumer surveys.

The consultants are likely to begin by interviewing us for background information. This is often called a "situation analysis." Probably they will also ask about previous studies and will research our marketing history. They may go to our trade association or national industry group to find what information is available on the dry cleaning industry and what national or area surveys have been made. Then, they will get additional statistical facts on our market from census reports, past research studies, local newspapers, radio stations and the chamber of commerce. All this information will be organized into a *situation report.*

STEPS IN MARKETING SURVEY


6. SOLVING THE PROBLEM
5. TABULATING AND REPORTING
4. CONDUCTING THE SURVEY
3. DESIGNING THE RESEARCH
2. STATING THE PROBLEM
1. ANALYZING THE SITUATION

During or after the background research, the professional consultants will begin to gather information in order to formulate a *statement of the problem.* Probably we stated a broad problem when we called in the consultants but they will want to help us examine it thoroughly to see if it can be better defined as a hypothesis for a research survey. Suppose we called them in because we wonder why our company is not now growing at its previous rate or as fast as other business firms in our area and not even at the rate of our industry's growth nationally. We want to know why.

The consultants explain that we should narrow our hypothesis. Then, they interview our various store managers, suppliers, business associates, a cooperative competitor or two and a few consumers, in a sort of informal survey in order to establish possible hypotheses for study. Among the ideas gleaned from the people interviewed is that stiff local competition has been presented by the advent of numerous coin-operated cleaning firms. Also, a rival firm has undertaken an intense promotion campaign that seems to be drawing off some potential trade. A few customers have cited complaints on work quality and price but these seem to be in the minority.

In the situation report and digest of the informal interviews, the consultants have thrown some light on our overall problem of limited growth. Statistics reveal that our trade area is involved in changes of clothing habits. They show an area trend toward more "wash and wear" clothes. People are using coin-operated cleaning machines. A certain amount of buying resistance has been evidenced toward our firm.

But since none of this suggests a clear-cut method for building our volume at a faster rate, the consultants' proposal calls for a *consumer survey* to determine what people in our locale want in a cleaning firm, how they choose one, and their feelings about coin-operated establishments. The consultants propose a sampling survey of 1,000 home interviews backed up with 2,000 mail questionnaires.

We give them the go-ahead and they begin the third stage of the research procedure—designing a *survey questionnaire*. This is not the simple asking of questions but a formulation of them which will be most revealing and yield the most accurate answers.

The questionnaire will be designed to avoid "bias." Bias means "strong preconceptions or prejudices." Even professional interviewers are people and all people may have inadvertent preconceptions. So researchers must constantly guard against such traps. Sometimes the very wording of a question will imply a bias and thus influence the answer. A questionnaire is often pretested on a small sample group for evaluation and elimination of any bias.

So now the consultants begin a series of direct consumer interviews. A survey simply asks questions and, contrary to popular belief, is one of the least time-consuming parts of the research process. Although, when a large survey involves considerable effort by a great many people, it can constitute the most expensive phase of the project.

In any event, the work is far from concluded at the end of the questioning. The facts gathered must be first tabulated and checked for accuracy and then put into report form.

After the report is made, comes the joint work of consultants and the firm's management in applying the findings to the working out of a solution. Supposing that the research project showed that while there was an initial flood of interest in the area's coin operated cleaning, people were returning to the practice of sending "good" clothes to the cleaners. They were becoming less service minded as far as pickup and delivery but wanted longer evening hours and volume price concessions. Also, our survey showed that people often choose cleaners on the recommendation of friends.

In summary, our research had gone through these distinct stages: *Analyzing the situation* as background for determining the problem and the proposed research; then the important planning step of *stating the problem;* next, *design of the research* where we formulated questions free of bias; then the actual *survey* where questions were asked of consumers; followed by *tabulating and reporting* the findings; and, finally, *solutions* so that policies could be changed to reflect the new facts. No matter how simple the research survey undertaken, it should develop through these phases in order to be complete.

Store Interviews

Probably the simplest interview survey is one made in the retail store at the point-of-sale. Here, a personable and pleasant, trained interviewer approaches the customer, states that she is with the store and asks if the customer would mind answering a few simple questions.

Usually, the questions are limited in number so as not to take too much time. The information is recorded on an easily marked interview card so that a permanent record is made. The interviewer thanks the customer and the interview ends. The kinds of information which are developed by this technique are: how often the customer shops, where she lives, why she frequents this store. These factual questions do not require long answers. Point-of-sale interviews use actual customers at the time of purchase. For this reason, they are especially good where the information wanted is on particular brands. The interviewer might approach a customer after the selection of a certain type product. And after an explanation of the interview say, "I see you have selected such and such a brand. Would you tell me why you like it?" Or, "How long have you been using it?"

A variation on the point-of-sale survey technique is to offer a premium to customers participating. But then there is always danger of the customer's trying to give the answer they believe the interviewer wants just for the reward, particularly if the premium is a product connected with the survey.

An increasingly popular point-of-sale type of survey is a contest entry blank, local laws permitting. The questionnaire is a part of the entry blank and the customer fills it in along with the necessary name and address information. Of course, the questions must be limited in number. Also, care must be taken to avoid erroneous results from entries made by children or multiple entries. It has the advantage of being low in cost and yields quick results on simple surveys. However it lacks a skillful interviewer who can evaluate the response.

Home Interviews

The kind of survey which is undoubtedly the most useful and also the most expensive is the *home interview.* Here, the carefully planned questionnaire is in the hands of an interviewer who talks to the appropriate customer. A great many questions can be handled by such a technique and a complete body of information recorded. This survey can also include observed data such as the apparent socio-economic status of the family, possessions of the consumer, attitudes toward a variety of subjects, and the use or presence of certain products. The personal nature of such an interview yields a high percentage of response and can handle sensitive subjects better than other methods.

However, the quality of such surveys depends greatly on the effectiveness of the interviewers. Most of them are employed temporarily or work on a part-time basis. Even when considerable effort goes into their choosing and training, there is still a possibility that they will lack motivation, may *not* ask the same essential questions each time, or incorrectly record answers. Because the nature of the work prevents supervision and observation, great care should be taken to see that only the most conscientious and reliable interviewers are employed. Then, they should receive adequate training on the questionnaire to be used.

Another limitation to any kind of interview is the inability of the respondent to give factual answers. If questions cannot be answered with a straightforward specific fact, the results may be misleading. If the consumer does not know the correct answers, he is apt to give ego-enhancing replies which he thinks seem reasonable and make him appear to have keen judgment. This same desire may cause the respondent to give *false* answers. Oftentimes people reply that they use fashionable, big name brands from prestige stores when actually they buy unknown brands from budget firms. Obviously, such research is worthless so all questions should be examined to prevent opportunities for such response.

One technique that has been useful in this regard is to ask questions indirectly. Rather than say, "Do *you* use this brand" you might say, "Do people in this neighborhood use this brand." Phychologically, the respondent is more apt to give an answer that reveals his preferences to an oblique question. We'll talk more about indirect interview methods when we discuss motivation research.

Generally speaking, the best questions are those that cannot be merely answered *yes* or *no*. Although such questions may be very helpful in getting respondents into an interview mood or to develop simple statistical data, the answers give no facts, and while they are the easiest to tabulate accurately and mathematically, they often fail to reveal the actual basis for a belief or preference. For example, a housewife will invariably answer the question, "Do you like your present stove?" with a "Yes." After all it is hers and she probably picked it out. But if you ask, "What do you wish your stove had that it does not?" she is more apt to reveal factual information and attitudes.

Still another type question that often reveals significant facts is one which asks the respondent to complete an *open end* statement. For example, the interviewer says, "Please tell me how you would complete this statement: 'The best method for cleaning windows is ________.'" Here, again, the response must be generated from deeper convictions than those allowing "yes-no", "brand name" or "direct opinion" answers.

Often, questionnaires will be designed to eliminate misleading answers by using alternate methods of questioning to get the same basic information. Presumably, the presence of parallel answers suggests that there is less chance of bias and error while conflicting answers would make the information suspect.

The wording of questions and the method of asking them are of tremendous importance in the validity of answers. The introduction of a single word may suggest bias on the part of the interviewer and thereby change the answer given. For instance, if I ask you to compare the qualities of wool and cotton for winter clothes, it is one thing. But if I ask you to compare "warm" wool with cotton, that one word "warm" has introduced a basis for bias which will effect the statistical average of answers. All survey questions must be carefully constructed, examined for bias, and tested for validity.

The home survey, unlike the store survey, requires considerable selectivity. It is seldom practical to interview *all* potential consumers in the classification we want, so we must depend on "sampling." But how do we choose the samples and still be assured that we are getting valid information? Well, the key is getting respondents who are representative.

The professional survey designers use the term "universe" for the total population about which a marketer wants information. This "*universe*," of course, has to be specified by trade area, geographic location, age group, or some other classification. Then, the marketing researcher breaks down that "universe" into units from which he may take samples. In a local trade area, the researcher will often use one sample per block, giving as even a geographic and economic representation as possible. Care must be taken to assure that the choice of units is truly representative. Many times researchers have selected names from phone books for samples. But if the survey is to cover all people in a certain geographical area, such a practice would be in error. It would not take into account those people who have no phones, have unlisted numbers, or are new to the area.

Random selection is dangerous unless the so-called "universe" is very large and the sampling can be considered diverse even on a random basis. Sometimes, considerable ingenuity and research is required just to get a full representation in the sample. One enterprising tire dealer who wanted research facts on the kind of tire features desired in his trade area took his sampling from records of new car purchases two years before. He used car purchases for the year before on the assumption that this group would be most likely the potential purchasers of tires at the time of the survey. I wouldn't be at all surprised, if their names also ended up on his prospects and mailing lists.

The number of respondents in a sample is considered to be less important than true representation and the quality of information obtained. As a rule of thumb, the sample should be as small as it can be and still be representative. The problem is, just what is "representative." In the case of *one* representative *per block* in a local area, the question arises as to how about one every other block or every third block. The answer can only be determined by local circumstances and size of the "universe." You can readily see that one representative for every three blocks might be more than sufficient in a city with large areas within the same socio-economic or ethnic groups. However, it would be entirely inadequate in a small county seat town where neighborhoods are less well defined, and have a relatively smaller population.

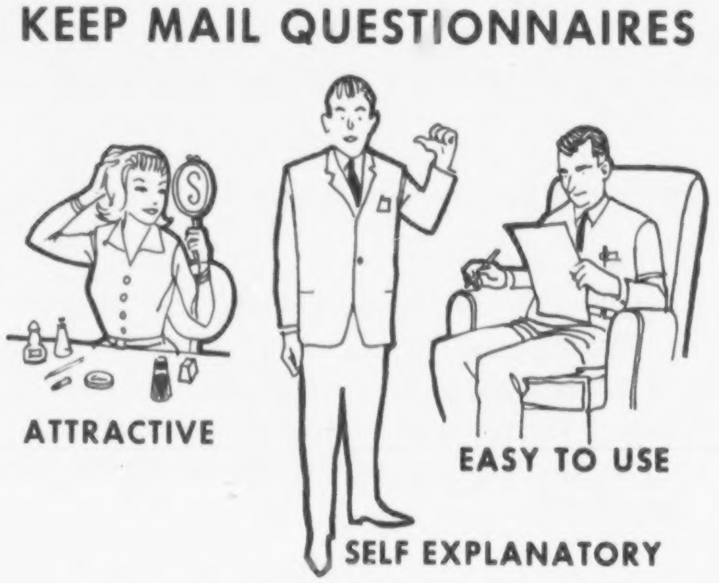
The accuracy of marketing research depends largely on how representative your sample is. So use care to determine that the "universe" really represents the market in which you are interested. Misleading and inaccurate research is useless and is worse than no research survey at all. This is another good reason for considering the use of trained research specialists.

Mail Surveys

One method often used by small businesses is the *mail survey.* It is a self-administered questionnaire sent by mail with a letter of explanation and request for return in a stamped or postage guaranteed envelope. Such surveys are cheaper than personal interviews and easier to tabulate.

Surprisingly, many people respond to the mail questionnaire. Being asked satisfies their desire for importance, recognition, and status. Sometimes the survey can be used as a promotional device suggesting that the sender is truly interested in their consumers. But here is a word of caution. Often, people become "judges" and "opinion givers" rather than responding as consumers. This can make their answers unreliable. This also happens in a direct interview but the interviewer may clarify or evaluate the response and thus guard against some erroneous information.

It has been said that mail surveys have probably been responsible for misleading more marketing executives than all other surveys combined. Of course, this may be more a result of design of the questionnaire than the method of survey. A disadvantage of mail surveys is that they are generally inflexible yet they have the advantage of approachability. In some cases, mail surveys are the only way to reach certain high income persons. The mail survey must be kept simple, short and direct. This tends to eliminate interviewer bias and is relatively inexpensive.



In any event, the potential of mail questionnaires was pretty well proven a few years ago when a major coffee company reported identical results from a mail survey as they found by an earlier interview survey. Many companies use the mail survey as an informal investigation to help design the type of survey needed. Or even to test types of questions which may be used later in personal interviews.

Some argue that the mail survey is effective because of the absence of interview bias. For example, they cite the outcome of two mail surveys by a consumer magazine and a feed manufacturer during the 1948 Presidential Campaign. As is well known, all of the interview opinion polls predicted a Dewey landslide but the two separate mail surveys accurately foretold a Truman victory.

If you do wish to use mail surveys, make them attractive, self-explanatory, and easy to use. Here is one that is typical. (See this questionnaire in *The Supply Department* section).

NOTE: Have the class dicuss the survey questions in detail. Try to get them to look for any bias that might be present. Ask why they think the questions are good or bad. Ask if they think the questionnaire is too long.

Telephone Interviews

Telephone interviews are a third major method of consumer surveys. As with the home interview and mail questionnaire, care should be exercised to explain to the respondents that they are being asked to participate in a survey. Then, the prepared questions are asked and answers recorded. Like the home interview, clarification of answers and evaluation is possible.

The obvious advantages of telephone interview are that a single interviewer can handle more respondents and the overall cost is considerably less. But generally the results are not as accurate and fewer questions can be handled. Unfortunately, the climate for phone interviews is worsening. Since so many telephone sales calls are made under the pretext of a survey, a growing number of persons will not participate.

There seems to be more resentment toward this type survey than others.

Still the technique is valid. Telephone questionnaires should be made simple, direct, and brief. It is better to find out the name of the party to be interviewed prior to the call. This establishes a firmer, more businesslike relationship. Interviewers should have pleasant phone voices and should be trained to use techniques for the specific questionnaire interview.

Other Types of Surveys

There are still other types of specialized surveys which are used to collect data on consumers. Some lend themselves to *demonstration centers*. New products or product prototypes are often researched this way. A center is created where consumers can examine the products and ask questions about them. The respondents may be invited to the center, usually in return for a premium and their transportation expense. Sometimes, the center may be located in a place where consumers are attracted by chance, such as at a home show or an area within a store.

The advantages of the demonstration center are that it requires fewer interviewers. It can test products otherwise too large or inconvenient. Also, it allows considerable control of most survey variables. However, the center does not lend itself to every research problem. It is relatively expensive per respondent and is time consuming.

Still another technique is the use of a *panel* or *test group* to carry out the research. As a rule, the sample is chosen from the "universe" with considerable care to assure accurate representation. It is possible, with a sizable test group, to match the total population statistically as to age group, income, employment, or other established criteria. The panel may be interviewed in a central place such as a demonstration center, interviewed at home, or even questioned by mail. Sometimes diaries are kept. Usually, the panel members receive compensation of some sort for their time.

The advantage of using a test group is that it allows follow-up by checking trends over a period of time with the same respondents. Although several research companies employ relatively large groups and hold down the costs by multiple inquiries, it is seldom economically feasible to have a group of sufficient size as to avoid sampling errors.

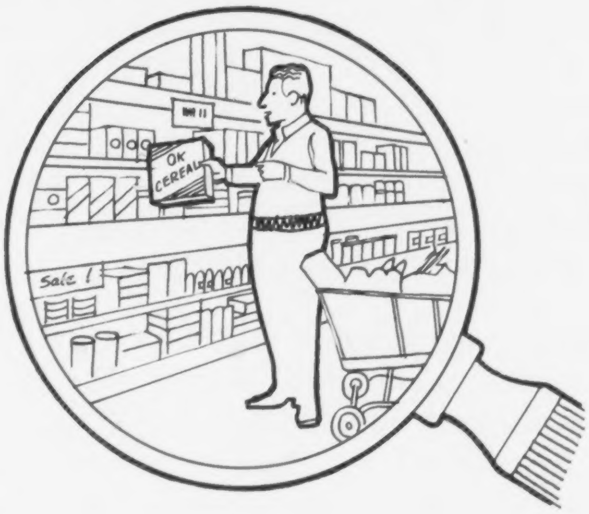
The most significant limitation to the use of test groups, or, in fact, any of the survey techniques we have discussed, is that the thoughts expressed by respondents, no matter how sincere, may not be the real factors which influence them. This limitation should act as a warning signal rather than as a discredit to surveys—to guard against accepting data without a full examination of other influencial factors. Well designed and carefully executed surveys yield much useful data. They are, in fact, the handiest, most flexible source for specific consumer information.

OBSERVATIONAL RESEARCH

If we could just put a consumer under a microscope without his knowing it, we could overcome the problem posed by his varied conscious reactions once he knows he is participating in a test. In some instances, we can make hidden observations; and this is called *observational research*. Usually, it must be done at the point of sale when the subject is being an actual consumer. It is a relatively simple matter to make a direct measurement in the market of what a consumer buys. It is possible to observe which displays and labels attract him. But it must be kept in mind that such data are always measurement of his behavior, *not* his reason for buying.

Observational research may be either mechanical or conducted by human observers. It may be as simple as "counting noses" or recording numbers of passing vehicles. Also, it may involve complicated behavioral analysis, such as complex measurements of eye movements, or electronic monitoring, recording and even photographing the consumer's behavior.

OBSERVATIONAL RESEARCH



The simpler forms of behavioral observation can be particularly useful to the small retail business establishment. An observer who might be an employee, supposedly checking stock, stocking shelves, or just resting, can record observations of interest to the survey. Such studies may suggest ways to improve store layout for added sales of profitable items by showing which display or point-of-sale advertising is most beneficial. Every retail manager should spend some time regularly observing his customers so that he may develop insights into their behavior.

Observational methods lend themselves to scientific procedure and have fewer variables than other kinds of research. However, the more complicated forms are expensive and hard to analyze. They even may not provide the fundamental facts on why customers behave as they do.

MOTIVATION RESEARCH

There is a new field of marketing which deals with the "why" of consumer behavior. It is known as *motivation research.* Essentially, it calls on the research methods of behavioral science to reveal facts about marketing problems. As psychologists, sociologists, and anthropologists learn more about human behavior, they are amassing many theories and facts that can be applied to business marketing. It is growing in importance as it is being successfully applied.

Examples of Use

Take the case of the brand of a cigarette which was one of the first to utilize a filter tip. For years, the brand had been offered but enjoyed only a small percentage of the market. Motivation researchers were given the job of analyzing the market and seeking ways to improve sales.

The researchers began by using the home-interview technique. They conducted what are known as "depth" interviews. Highly trained interviewers used the methods of clinical psychology to determine the hidden motivations involved in purchasing a brand of cigarettes.

What they learned was that the image of this cigarette was a feminine one. They already knew, of course, that more cigarettes are smoked by men than by women. But they learned men had an aversion to this brand because they considered it unmasculine. They also learned that a strong motivation for smoking cigarettes is to express adult prerogatives—to identify with or "copy" the habits of people whom the consumer respects or envies. For instances, the first widespread use of cigarettes came from the hero worship of returning World War I soldiers who smoked cigarettes primarily for convenience. Also, the motion picture heroes whose cigarette smoking became a kind of daredevil stereotype was another influence. But why people bought cigarettes in the late 1950's when this research was made had little to do with these reasons. In their 1950 research it was learned that the choice of a brand of cigarette by women was most often to copy that of their male friends. It was also learned that men were more apt to remain loyal to their brand.

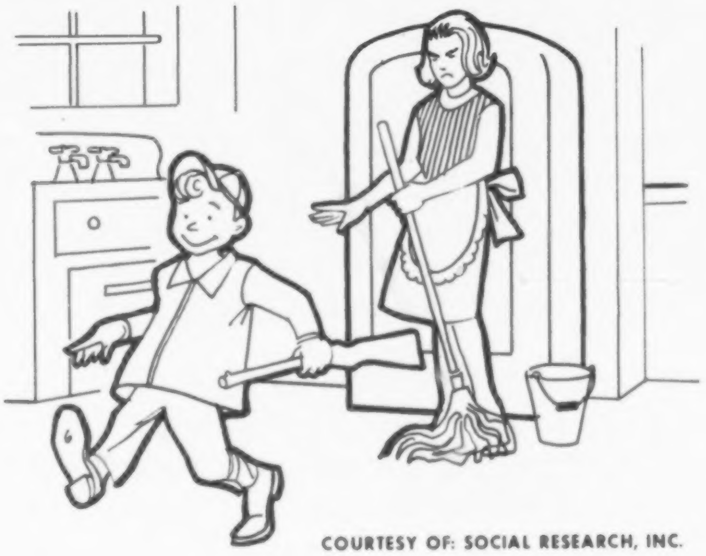
These research findings were turned into a marketing plan whereby the company would do all possible to build a masculine image for the brand. As a result the package was redesigned for basic masculine appeal. The advertising was revised to feature rugged outdoor men smoking the brand. The result was that the cigarette became a seller and has even been credited with starting a trend toward filter cigarettes long before medical questions were raised about smoking.

Today, some form of motivation research enters into most marketing decisions about nationally popular consumer products. Most packaging of soaps, cereals, canned goods, and even pet foods come under the scrutiny of motivation research. As you might expect, this kind of research is the most expensive and even at its best it still cannot provide all the reasons why people do as they do. Motivation researchers will readily admit that sometimes their conclusions are dangerous. In fact, one practitioner has said that two motivation researchers working on the same problem might come up with different answers. He goes on to say that if the techniques were valid, both might be right—each having discovered some important factors which affect buying motivation.

So what has all this got to do with a small business? Motivation research may be costly now but as it becomes more widely known and more researchers are available, some forms of it will be affordable. Problems encountered by smaller businesses will not require the extensive research of the mass market. But even if your firm never avails itself of motivation research, you would do well to keep abreast of its developments, learn all you can from published data and recognize that motivational factors are involved in consumer behavior. You may apply some of its techniques to other surveys.

Methods

You might be interested in some of the following methods used by professional motivation researchers when conducting behavior analysis. We mentioned *depth interviews.* These are seldom structured the way we talked about for a home interview. Usually the interviewer has a great amount of flexibility because he must probe in the same sense that a psychiatrist probes his patient. But, of course, he seldom can devote a fraction of the time required in psychiatry. The questions which he does ask are those which aim not at direct answers but at underlying attitudes. He is searching for *hidden* motives and must extract these without the respondents' awareness of them. Often the interviewer will use an indirect question where the subject is asked to relate facts or stories about someone other than himself.



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The key to the depth interview is to get the respondent talking about subjects which reveal his attitudes and feelings. Usually, the interview will be extensive.

The motivation researcher sometimes uses the same tests used in psychology such as *word association*, except that his list of stimulus words are related more to products or the things which products do. The subject is asked to say the first thing that comes into his mind after the stimulus word and the interviewer records the response for future study.

Another motivation research technique is *sentence completion*. By having to finish a sentence, the subject may give valid clues to his motivations. He might be asked to complete this sentence: "I think people should use brand 'A' because. . . ." If his answer includes certain key words that suggest certain attitudes, these will be recorded and the interviewer will delve deeper into the basis of the attitude.

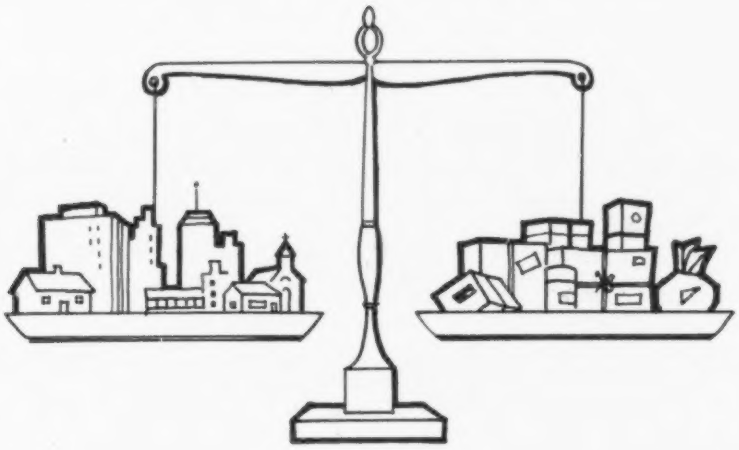
Still another kind of motivation research is related to the use of ink blot tests. Psychologists have long known the value of what they call "*projective*" techniques which require the subject to imagine what he sees or make up a story and thus reveal his real motives. Here is a picture which was used in such a test. (It is shown by courtesy of Social Research, Inc.) This technique goes under the rather formidable title of "thematic apperception." But what it means is projecting a story from a visual device. Here the picture was designed to be shown to housewives. They were asked to make up a story about the picture and thus reveal how they feel about scrubbing floors and the products used in doing it. Women often comment, "He messed up that floor after she did all that hard work to clean it!" and thereby reveal that they consider scrubbing floors hard, dirty work quickly undone. The answers may even express anger, frustration or worry about houshold chores. The general conclusion of this test was that women view soaps and detergents as aids but feel that all fall short of her ideal of "no work at all"! She tends not to develop strong loyalties to these products.

In any event, motivation research appears to be here to stay and will affect the products that you sell. Undoubtedly, your trade associations, local universities, and suppliers will be talking about motivation research in the future and giving you some facts that you can apply to your business.

EXPERIMENTAL RESEARCH

The last kind of marketing research we are going to consider is called *experimental research*. This is like a scientific experiment—in other words, testing a small scale sample in a limited environment where the researcher can exercise scientific control. Large companies often use this technique before national distribution of a product. What they do is select what they consider a representative market (or more than one) and introduce the product there. They may even introduce advertising campaign prototypes so as to test those as well.

EXPERIMENTAL RESEARCH



For a specified period of time, they will measure the acceptance of the new product and compare market trends in that area. The idea is to check out all the factors possible before making a huge nationwide investment. Sometimes competitors learn of such test markets and try to devise ways to counteract them or throw off the results by using special promotions or by increasing sales efforts. But regardless of this, the experimental marketing research often pays big dividends.

Even the smallest businesses can use the experimental approach of applying the new product or technique to one neighborhood or to one type of customer before fully adopting the practice. This research method can even be applied within a single retail store.

Suppose a businessman is not sure which of two or three displays is best for selling books. He devises an experiment. He will set up each display with the same books for a period of time, in sequence, and measure the sales effectiveness of each.

But since he wants to have more scientific results, he will rotate the time sequence of each of the displays. If he has been very careful in recording the data and there has been no overriding outside condition that would alter the findings, he will be able to tell with some degree of accuracy which type of display sells best.

Experimental methods are often applied in the evaluation of sales promotions. Many test runs are made of two or more ads to check their effectiveness. The usual method of applying such an experiment is to design an ad that generates a response which can be measured. For example, the return of coupons can give an accurate measure of response, if the coupons are coded or somehow identifiable. Some printing processes use a printing drum which makes two copies. By using alternate ads on each of the two sides of the drum, every other copy is different. Therefore, equal distribution of the two ads to all areas is supplied and results can be considered accurate.

Obviously, the experimental method can prove useful but generally it is limited to a small variety of marketing questions. Experimental testing also can be costly and time consuming. But if the importance of the results justify it, it may well be the best marketing research of all because it tends to be the most reliable.

APPLYING RESEARCH DATA

We started out by saying that marketing research is a search for *facts.* Well, whether our methods of research have used libraries, census reports, records, questionnaires, observations, psychological tests or experiments the results should be a collection of pertinent facts applying to the problem we had posed. But now we have the facts, what next?

Prepare Research Reports

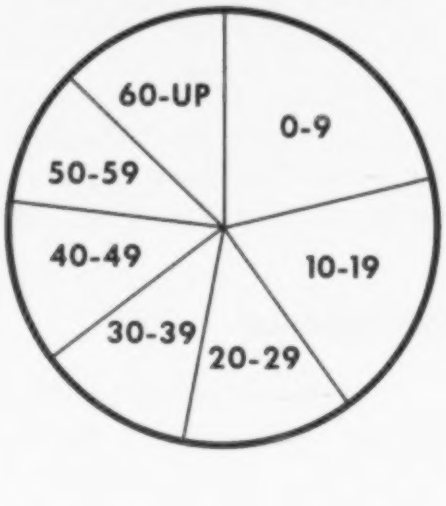
Well, first comes data tabulation and refinement. This demands accuracy, of course, but there should also be a time for critical analysis to evaluate the data's completeness and accuracy. And to look for possible errors in methods. When the researchers are satisfied that the data have been correctly assembled, the facts can be turned into a research report.

The report should include a digest of the methods employed because they will help validate and interpret the findings. It need not

AGE DISTRIBUTION FOR NORMSVILLE

		%
0- 9 yrs	41,212	21.2
10- 19	36,080	18.6
20-29	25,381	12.9
30-39	23,024	11.9
40-49	23,803	12.3
50-59	19,612	10.2
60 up	24,191	12.9
TOTAL	193,303	

AGE DISTRIBUTION FOR NORMSVILLE



be elaborate but should be detailed and complete. A seemingly unimportant finding left out, could lead to a misinterpretation.

Use Graphs and Charts

Often the researchers will make the report more understandable by the use of graphs and charts. Somehow the transfer of many statistics into a visual form gives a different perspective. For example, in this frame we see a column of figures that represents the age distribution of people in a given city. But those figures become more easily understood if we change them to percentages. They become even more clear when we visualize them in a graph, as seen in this second visual. Now we have a tangible representation that gives an immediate comparison of relative size.

Analyze the Facts

When the report is finished, management must analyze the collected facts. This should be a fast process. Such facts require a period of incubation. It is usually a good idea to hold one short meeting to consider the report overall. Then have a period of individual study and a followup session where each participant expresses his views.

To get the most out of all the effort that has gone in a research project, it must be viewed *objectively.* Research should never be undertaken merely to prove a management point. And even what seems to be overwhelming research proof should be studied with a critical eye. Among those questions which the analysis should cover are:

1. Do the findings really tell what is needed?
2. Is some factor being overlooked?
3. Are the data complete enough to warrant use?
4. Do the findings suggest an opposing view or dissenting vote?

When these questions have been answered, you are ready to put the facts to work in management decisions. Bear in mind that marketing research alone never solves any problems. Management must still apply discretionary skills in making the decisions.

Forecasting

One word of caution, marketing research can never *predict* the future. What it can do, if properly used, is to forecast probable events based on trends and current consumer behavior. How well it forecasts depends on how good the research facts are and then how much can be based on the facts it reveals.

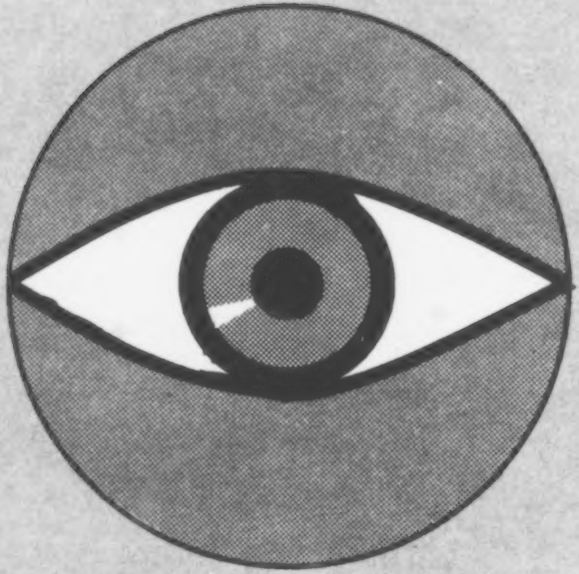
Marketing research is a useful planning tool. It is not magic. It calls on no specific power except that of logic and scientific discipline. But it is the best means a businessman has of finding out where he stands and where he is going. You will be doing some kind of marketing research as long as you are in business. Be sure that what you do is based on the best available facts.

SUMMATION

What we've talked about is the great need we all face in today's economy for a systematic approach in marketing. And part of that approach is to replace our opinions with real facts.

We can obtain facts by means of statistics both inside and outside of our companies, from informational or psychological interviews with consumers, and by direct observation or experiments. And when we have collected all the reasonably obtainable facts, we must put them in understandable report form. Then, we can draw our conclusions from their meanings.

Sound *marketing research* is one of the best ways of helping your business.



THE VISUAL AIDS

A What to Show

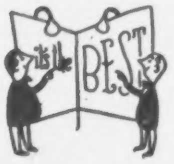
Section

The old Chinese proverb **"One See Worth Thousand Say"** is certainly borne out by experience in the fields of education and training at all levels.

The instructor who helps his participants **visualize** subject matter and ideas not only holds the group interest--he also stimulates thoughtful consideration and retention of the topic.

This section contains samples of visuals that are available for this subject. Each has been carefully coded and "keyed" into **The Lesson Plan** as outlined in this manual.

USE OF VISUAL AIDS

WHAT TO USE	WHEN AND HOW TO USE
Chalkboard 	Study and plan before a meeting what to put on the board and where to put it. Use it to present sketches, diagrams, outlines, definitions, key words, directions, record of class contributions, and summaries. Suit material to board space. Write plainly and quickly. Keep wording simple. Stand at one side of board while referring to material. Talk to the group, not to the board. Erase material no longer needed.
Posters, Charts, and Diagrams 	To arouse interest and attract attention; to show relationships and trends; to inspire group. Use device large enough to be seen. Post where everyone can see. Present at right time. Discuss information illustrated.
Hand-Out Materials 	To present information uniform in character and as a guide to material covered; emphasize key points; arouse interest and discussion; review or summarize discussions; and serve as permanent reference. Select to serve a definite purpose. Introduce at right time. Distribute in manner to convey its importance. Direct members how to use.
Films and Film Strips 	Present an overall view; introduce a new subject; emphasize specific aspects of a subject; arouse interest; summarize. Select carefully to relate to the discussion and plan presentation. Arrange room and equipment for showing. Alert the audience for the showing or what will be seen. Run the film. Discuss the subject matter and summarize.
Samples, Forms, and Exhibits 	Keep subject matter practical; show development of a process; increase understanding. Select only enough to illustrate, not confuse. Pass around if necessary. Take time to present clearly. Comment when presenting.
Pedestal Chart MAKE it Count	A pad of newsprint sheets or similar paper may be used for the same purposes as the chalkboard. Material recorded with chalk or crayon may be saved for future reference by the group or by the instructor.

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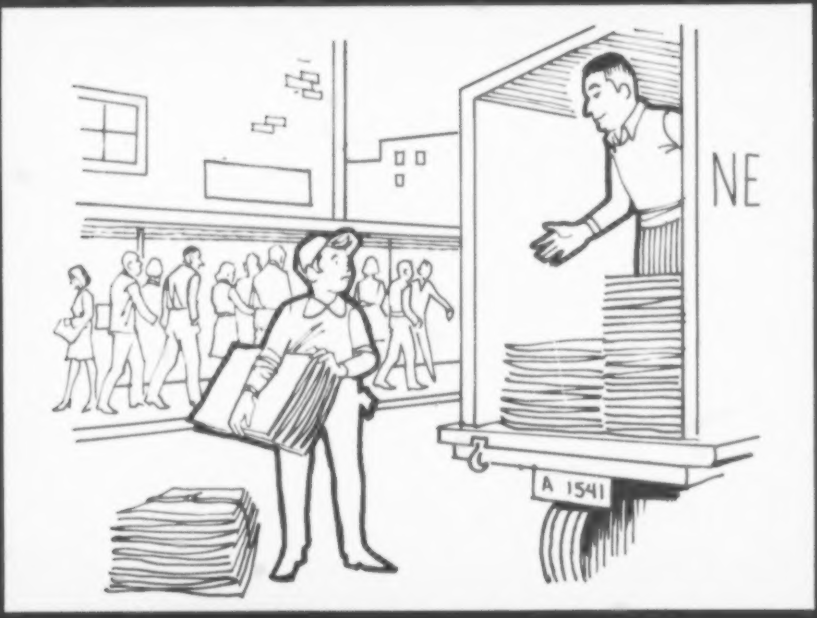

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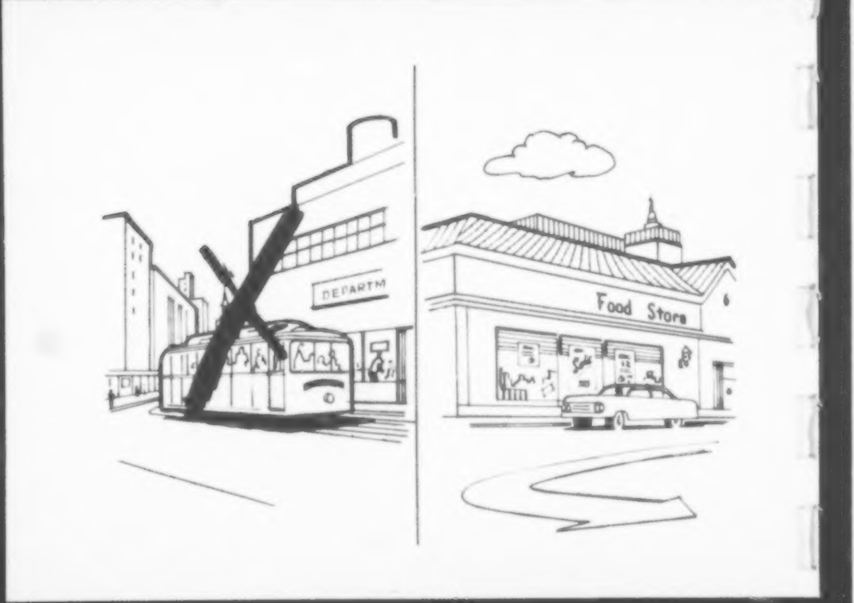


2

MARKETING RESEARCH HELPS TO:

1. Find markets
2. Select products
3. Recognize changes
4. Improve methods
5. Plan goals

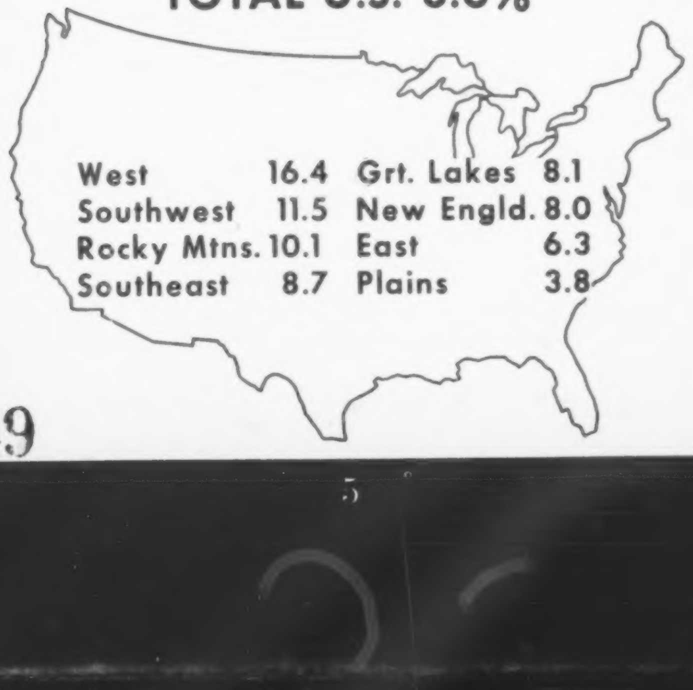
3

USING CENSUS DATA TO COMPUTE YOUR MARKET POTENTIAL

Local Population	197,321
X Per capita income	$2,700
= Gross income	$532,766,700
X % of food purchases	.20
= Total Potential Food Sales	$106,553,340

4

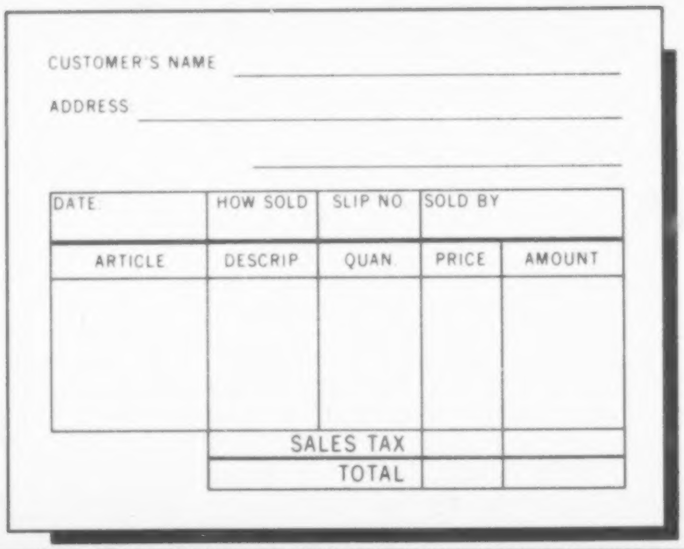
POPULATION GROWTH 1955-1960 TOTAL U.S. 8.6%



West	16.4	Grt. Lakes	8.1
Southwest	11.5	New Engld.	8.0
Rocky Mtns.	10.1	East	6.3
Southeast	8.7	Plains	3.8

5

SALES SLIP INFORMATION



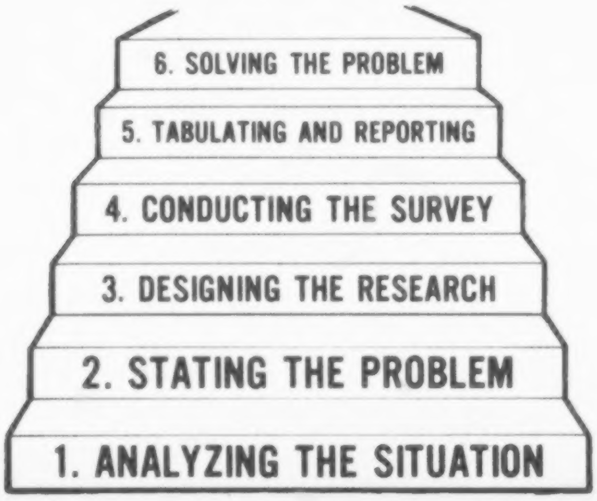
CUSTOMER'S NAME

ADDRESS

DATE	HOW SOLD	SLIP NO.	SOLD BY	
ARTICLE	DESCRIP.	QUAN.	PRICE	AMOUNT
	SALES TAX			
	TOTAL			

6

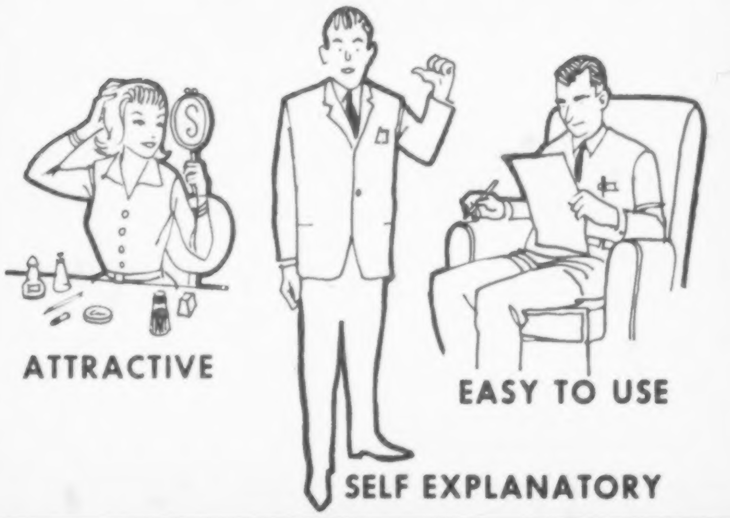
STEPS IN MARKETING SURVEY



6. SOLVING THE PROBLEM
5. TABULATING AND REPORTING
4. CONDUCTING THE SURVEY
3. DESIGNING THE RESEARCH
2. STATING THE PROBLEM
1. ANALYZING THE SITUATION

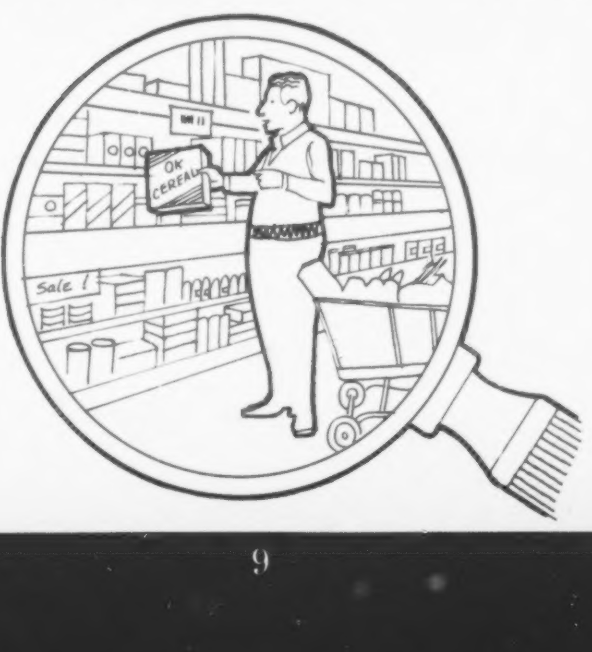
7

KEEP MAIL QUESTIONNAIRES


ATTRACTIVE
EASY TO USE
SELF EXPLANATORY

8

OBSERVATIONAL RESEARCH


OK CEREAL
Sale !

9

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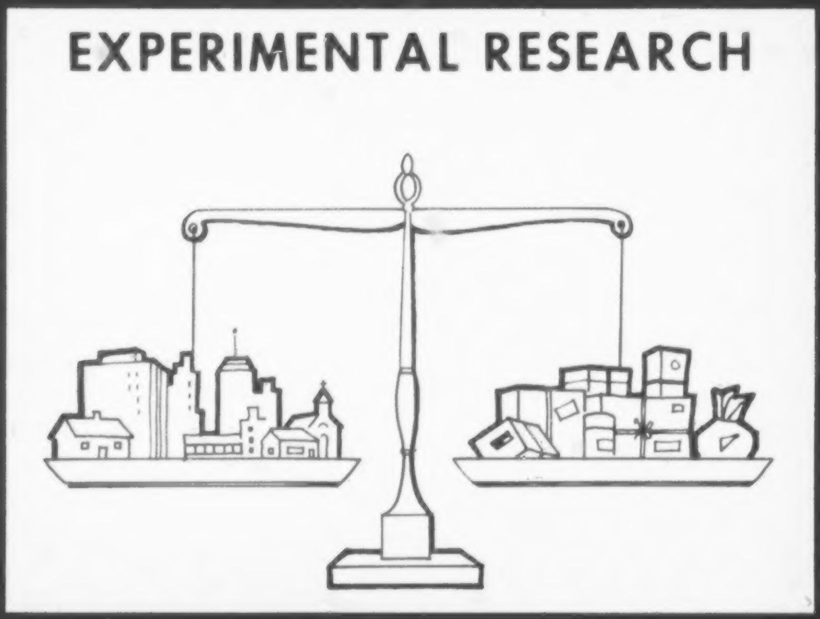
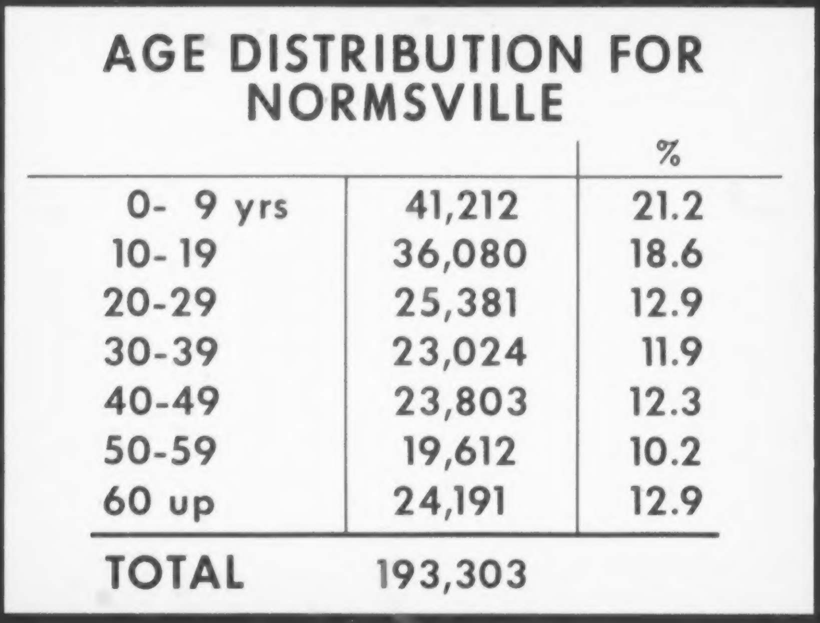
50

10



EXPERIMENTAL RESEARCH

11



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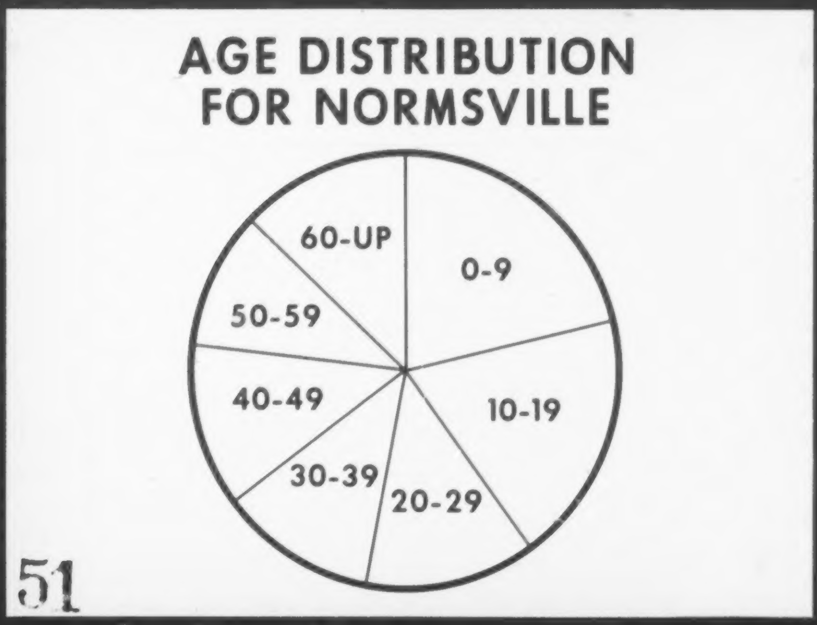
12



AGE DISTRIBUTION FOR NORMSVILLE

13

Focal Points On

MARKETING RESEARCH

STEPS IN A RESEARCH PROJECT--

1. ANALYZING THE SITUATION
2. STATING THE PROBLEM
3. DESIGNING THE RESEARCH
4. CONDUCTING THE SURVEY
5. TABULATING AND REPORTING
6. SOLVING THE PROBLEM

TEST OF RESEARCH RESULTS

1. DO THEY REALLY TELL WHAT IS NEEDED?
2. HAS ANY FACTOR BEEN OVERLOOKED?
3. WAS THE TEST MADE FREE OF BIAS AND PREDISPOSITIONS?
4. IS THE DATA COMPLETE?
5. WAS THE SAMPLE TRULY REPRESENTATIVE?
6. DOES ANY CONTRARY OR DISSENTING INFORMATION MODIFY THE RESULT?
7. DO THE FINDINGS REPRESENT FACTS NOT OPINIONS?

MARKETING RESEARCH IS

THE
SYSTEMATIC
AND INTENSE
STUDY OF ALL THE
FACTORS AFFECTING
A SELLING BUSINESS.

MARKETING RESEARCH PROVIDES HELP TO:

1. FIND PROFITABLE MARKETS
2. SELECT SALEABLE PRODUCTS
3. RECOGNIZE MARKET CHANGES
4. IMPROVE MARKETING METHODS
5. PLAN REALISTIC GOALS

KINDS OF MARKETING RESEARCH

1. STATISTICAL RESEARCH
2. SALES ANALYSIS
3. SURVEYS
4. OBSERVATIONAL RESEARCH
5. EXPERIMENTAL RESEARCH

ALASKA VACATION SURVEY QUESTIONNAIRE (Confidential)

Please answer the questions listed below, and use the reverse side of this questionnaire if you need more space for further explanation. (Disregard the small numbers in the brackets and parentheses. They are for tabulating purposes only.)

---

1. Will you please give us some information about yourself and any members of your family who were with you on your recent trip to Alaska?

Remember to include yourself

a. How many adult males in your family made the recent trip? .... (6) Approximate ages? .... (7-8)

b. How many adult females? .... (9) Approximate ages? .... (10-11)

c. How many children in the following age groups?

.... (12) Under 6
.... (13) 6 to 13
.... (14) 14 to 17
.... (15) 18 to 22

d. What is your occupation? (16-17) ....

e. What is your martial status? (18)

[1] ...... Single [2] ...... Married [3] ...... Other

2. Including your most recent trip, how many vacation trips have you made to Alaska? .... (19)

3. Where did you get information about Alaska as a vacationland? (20-21)

[1] .... Newspaper ads
[2] .... Magazine ads
[3] .... News item
[4] .... Automobile club
[5] .... Travel agent
[6] .... Previous visitors
[7] .... Alaskans
[8] .... Others (Specify) ....

4a. Did anyone besides your family help you plan your trip or itinerary? (22)

[1] ...... Yes [2] ...... No [3] ...... Don't remember

4b. If answer to Number 4a is "*yes*," then who helped you plan your trip? (23-24)

[1] .... Previous visitor to Alaska
[2] .... Travel agent
[3] .... Friend who has not been to Alaska
[4] .... Railroad
[5] .... Airline
[6] .... Steamship company
[7] .... Automobile club
[8] .... Other (Specify) ....
....

5. State the number of days you were on land in Alaska.

Number of full days .... (25-26)
Number of part days .... (27-28)

6. Check the recreational activities in which you took part while in Alaska, or aboard ship. (29-42)

.... Sightseeing
.... Games aboard ship
.... Dancing aboard ship
.... Attending movies
.... Taking photographs
.... Hiking
.... Fishing
.... Hunting
.... Night clubs
.... Mountain climbing
.... Outdoor camping
.... Skiing
.... Ice skating

Others (Specify) ....

7. List any other recreational activities which you would have engaged in, if they had been available to you in Alaska. (43) ....

The next six questions are probably the most important on the entire questionnaire because of their value to us in making a complete study of the tourist business. If you need additional space, please use the other side of this page. We surely hope you will think back and tell us:

8. What was there about your Alaska vacation that you particularly liked?

....

....

....

9. What was there about your vacation that you did not particularly like? That is, what were your complaints and unfavorable impressions?

....

....

....

10. Based on your experiences, what particular recommendations would you make for improving Alaska as a vacationland?

....

....

....

11. Approximately how much did the entire Alaska vacation cost you and your family from the time you left home until you returned? $............ (44-47)

12a. Did you take a regular "all-expense" tour? That is, did you buy all your tickets from one company before you left home? (48)

[1]......Yes [2]......No [3]......Don't remember

12b. If answer to Number 12a is "*yes*," from whom did you buy the tour? (49)

[1]...... Travel agency
[2]........Airline
[3]........Railroad
[4]........Steamship company

13. While you and your family were in Alaska, or Alaskan waters, what were your approximate expenses for the following items? (What counts is *what* you spent your money for, not *where* you spent it. For example, the cost of hotel rooms in Alaska, or Alaska Railroad tickets, or steamship tickets from Seattle to Alaska are considered expenses in Alaska, even though you may have paid for them before you left home.)

Transportation . . $.......... (50-53)
Food . . . . $.......... (54-57)
Lodging . . . . . . $.......... (58-61)
Clothing . . . . . $.......... (62-65)
Souvenirs . . . . $.......... (66-69)
Others . . . . . . $.......... (70-73)

We invite you to use the self-addressed, stamped envelope to return this questionnaire to:

BUREAU OF BUSINESS RESEARCH — UNIVERSITY OF WASHINGTON
SEATTLE 5, WASHINGTON

THANK YOU AGAIN FOR COOPERATING WITH US

BUDGET BUREAU, No. 42-5205.1
Approval expires SEPTEMBER 30, 1953.

TRAINING AIDS
MANAGEMENT AIDS
AGEMENT AID
HOW TO MANAGE
TRAINING AID
AIDS
HOW

THE SUPPLY DEPARTMENT

A Resource Materials and Participant Handout

Section

It is generally conceded that interest intensifies in situations where people have a chance "to participate" by such means as open discussion and buzz sessions. The materials in this section should prove useful in this kind of activity. These materials may be reproduced locally.

It is also desirable to provide participants with "take away" materials if they are pertinent and concise. Accordingly, appropriate Management Aids, Small Marketers Aids, and Management Research Summaries are included in this section. Current information on the availability of suggested and new SBA publications may be obtained from the nearest SBA office.

SMALL BUSINESS ADMINISTRATION • Washington 25, D. C. • July 1960

Management Aids FOR SMALL MANUFACTURERS

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Selecting Marketing Research Services

By **William C. Gordon, Jr.**
Marketing and Management Counsel, Evanston, Illinois
(formerly Executive Director, American Marketing Association)

Marketing research can be a valuable management tool for small firms. In today's conditions, it can be virtually a necessity for a business if it is to prosper and grow. But many owners and managers lack adequate knowledge of what marketing research services there are, and what they can do. They don't know how to select these services. Most of the time, a permanent, internal staff of experts is out of the question. And so the problem of finding the right outside help is important. This Aid suggests that a systematic approach to choosing outside marketing research help for small business is both possible and practical.

Suppose your business has a marketing problem. It may be that a solution can best be achieved with the help of an independent marketing research organization or consultant. How would you go about choosing this type of professional service? What factors would govern the selection; and which are the most important? How could you be reasonably sure that you had picked the right service? What would these services cost? These are just a few of the perplexing questions that confront the executive of a small business when he begins the search for professional marketing research assistance.

Before proceeding, however, a couple of definitions may be in order. The terms market (or markets) and marketing will recur several times in this Aid. The former term covers the demand for products or services which can be measured (a) quantitatively, (b) qualitatively, and (c) geographically. The latter, a broader and more inclusive term, refers to the entire process of the movement of goods and services from the point of production to the point of ultimate consumption.

WHAT MARKETING RESEARCH SERVICES DO

At the start, you need some general understanding of what a marketing research service is. Broadly speaking, it is an independent source of information, counsel, and advice. It should be able to do any one, or a combination, of the following things:

First, develop, collect, organize, and present basic statistical data about markets for goods and services and related marketing trends.

Next, provide the necessary facilities, and/or knowledgeable assistance, for the proper planning, supervision, and conduct of marketing surveys.

Then evaluate and appraise marketing policies, organization, and methods and recommend constructive programs for their possible improvement.

Finally, plan, develop, and recommend sound courses of action to strengthen the market position and sales development of goods and services--both old and new.

Most marketing research will also concern itself with one, or more, of the four major areas of marketing operations: distribution, buying and selling, advertising and promotion, market exploration and development.

In selecting a marketing research service, however, don't assume that each one can be "all things to all people." Some services, by choice, limit the scope of their activities. There are many, for instance, that specialize in studying the problems of particular industries.

Others have become highly-qualified experts in some special technical phase of marketing research such as: advertising evaluation, human motivation and behavior, product testing, or packaging. Still others largely restrict their activities to a specific survey function such as field interviewing or statistical tabulating services.

Regardless of the wide variety of marketing research services that are available, *the fundamental problem is to find one that has the proper background and experience to meet your needs, at a price you can afford.*

NEED FOR MARKETING RESEARCH SERVICES

Before choosing a marketing research service you must recognize the fact that you need one. There are many reasons why your business might require this type of professional assistance. Perhaps, most importantly, these services can benefit you by providing:

(1) *Clear-cut Definition of a Problem.* You and your business associates may disagree on what the problem really is. Moreover, the true nature of a problem, when subjected to critical analysis, may turn out to be something entirely different from what you originally thought it was. Through experience, a professional marketing research service has usually developed the ability to: strip the problem of non-essentials and bring it into sharper focus; establish, by mutual understanding and agreement, what the basic problem is; and suggest the best means of attack.

(2) *Impartial and Objective Analysis.* It is often difficult for key employees, or those without sufficient experience in marketing research, to maintain an unbiased and unprejudiced approach in an analysis of a marketing problem. An independent marketing research service, on the other hand, is not bound by the traditions of a business, nor by "what the boss thinks." Its primary responsibility is getting the facts, interpreting them correctly, and presenting the results impartially and objectively.

(3) *Experienced Technical Skills.* Because of their complexity, many marketing research problems require the application of special skills and techniques for their solution. Most professional marketing research services have available, or can draw upon, well-qualified technical personnel to meet any technical problem that may arise. Should an appraisal of your internal marketing research facilities suggest that they have distinct technical limitations, you should give serious consideration to using the outside services. Among other things, it protects you against the possibility of making costly mistakes.

(4) *Research Background and Know-How.* One of the important byproducts in using a professional marketing research service is the wealth of accumulated experience it can bring to bear on a study of your problem. It has probably dealt with many other problems of a similar nature in your own, or related industries. This can be reflected, also, in savings of time and cost by knowing the best way to get the job done.

(5) *Economy in Research Operations.* If the nature of your business is such that the necessity for marketing research is intermittent, it probably would not pay you to establish a department of your own. While the cost of outside research services may seem to be relatively expensive at the time, in the long run they may prove to be more economical than saddling the business with a fixed item of overhead.

TYPES OF SERVICES AVAILABLE

It would be impossible to list and describe, in detail, every single type in existence today. But for purposes of simplification, marketing research services may be grouped into three general classifications:

(1) Those that are essentially sources of statistical information; (2) those that are essentially engaged in broad gauge market planning, consultation, or survey activities; and (3) those that are essentially engaged in some specialized phase or technique of marketing research operations.

Statistical Services and Sources

As a general rule, the marketing research provided by organizations of this type cannot be purchased for the exclusive use and benefit of an individual business or firm. While there are exceptions, of course, the material they develop is usually of interest and value to a broad segment of the business community, and most of it would be available to you, in published form, at relatively little cost.

(1) *Governmental Agencies and Publications.* A vast amount of valuable marketing information is compiled and produced by Federal, State, and local government agencies. Perhaps the best known of the national sources are the various censuses prepared by the U. S. Bureau of the Census: those recording basic, comprehensive data on Population, Housing, Agriculture, Business Manufacturers, Mineral Industries, and the like. Since much of the census material is on punch cards or recorded on tape, arrangements can frequently be made for special tabulations pertinent to your business, your product lines, and your markets.

In addition, many other national Government agencies--the Departments of Commerce, Agriculture, and Labor; the Small Business Administration; the Federal Reserve Board, and others--periodically publish special statistical reports and pamphlets covering a wide range of marketing topics.

Federal Government Agencies also publish special subject reports and surveys covering industries, trades, products, geographic areas, marketing functions, and marketing operations.

Many State and city governments also publish statistical information about markets and industry developments in their respective areas. Some of the best are often the outgrowth of studies made by industrial resource and city planning commissions.

(2) *Local Business Sources.* Most cities and towns of any size will have an active chamber of commerce. Some do an exceptionally good job of gathering basic marketing information about their immediate locality. Although this is usually done as a promotional venture, the information thus developed would probably be available to you at no cost.

Local utilities, telephone companies, banks, and newspapers--particularly in the larger cities--frequently have continuing programs of marketing research. These, too, can be potential sources of statistical assistance about the area they serve. The organizations involved are usually willing to share this knowledge with others. And, if there is a college or university near you, its business research bureau or school of commerce may also have helpful data.

(3) *Trade Associations.* These are often an important source of marketing statistics. An increasing number of trade associations have developed statistical and marketing research programs about their own industries and markets. The scope of these programs, however, is not uniform. Some associations have done a better job than others.

In some cases, all or part of the available information may be restricted for the use of the association's own members; in others, it may be widely disseminated and accessible to anyone.

If you are a member of a trade association you should become familiar with what it has to offer in the way of marketing research assistance. It is quite possible you can find the answer to your marketing problem here.

More important, perhaps, is the matter of giving your support to worthwhile marketing research programs that the association sees fit to undertake. An industry-wide venture of this nature may produce far better results, and will probably be less expensive for all concerned, than would be the case if it is attempted individually.

(4) *Advertising Media.* Practically all advertising media carry on some kind of marketing research program for the benefit of their own staff and clients. Trade and consumer magazines, newspapers, radio and TV broadcasting companies are the principal advertising media of interest to small businessmen. They are also among the most fruitful sources of marketing research know-how and information, although it has sometimes a promotional slant. In the trade publication field, especially, much of the editorial content of the magazines is devoted to new marketing developments and related trends. Many of these media also have extensive library facilities which can be helpful to you.

As a general rule, advertising media will not perform specific marketing research services for, or sell these services to, an outside organization. However, they will usually make the resul[illegible] their market studies and reports availab[illegible]o you, in some published form, without charge or at very nominal cost.

Market Planning, Consultation, and Surveys

All of the above sources produce data for general industry or trade guidance and rarely anything tailored for a specific problem of an individual firm.

Suppose you find you have a marketing problem which cannot be solved by recourse to existing sources of information. When this happens, you may decide to seek help from marketing research services specially equipped to give you broad counsel and advice on the conduct of some type of marketing survey. There are at least four types of organizations that can do market planning, consultation, and survey work.

(1) *General Management Consultants.* As its name implies, the general management consulting firm usually has the professional staff and facilities to tackle almost any sort of management problem. Today, more and more organizations of this type are studying the marketing problems of business enterprises. Because of experience and the qualifications of their personnel, however, some have acquired a greater degree of proficiency in the area of marketing consultation than others.

General management consulting firms can, and frequently do, make surveys as part of a marketing assignment. The field work is more apt to use ''conversation-type'' interviews rather than formalized questionnaires. The consulting firm will usually prefer to use members of its own professional staff for this purpose.

(2) *Marketing Consultants.* In relatively recent years, there has grown up a group of professional marketing consultants. These people are management consultants who specialize in or stress marketing. Organizations in this field may consist of a single individual or may be fairly substantial in size. Included in this group are members of marketing faculties at many colleges and universities who devote part of their time to outside consulting.

The scope and quality of the services which professional marketing consultants provide varies. Generally speaking, most have the necessary background and experience to handle a broad range of marketing problems. Like the general management consulting firm, the marketing consultant will also make surveys and may have complete facilities for doing so. If not, he will generally know where to obtain them.

(3) *Marketing Research Firms.* This type of organization usually confines most of its activities to the planning and conduct of marketing surveys. But very often it is a difficult matter to draw a fine line of distinction between the marketing research firm and the marketing consultant.

Most marketing research firms, of necessity, do a certain amount of consulting work but may not concern themselves with matters of major marketing policy and planning to the same extent that the marketing or general management consultant does. Perhaps the best way to describe the marketing research firm is to think of it as a fully integrated organization which is equipped, both by experience and facilities, to carry out all phases of a formal marketing survey.

These include: studying the problem; planning the best methods of approach; preparing and pretesting the questionnaire; conducting the interviews; editing, tabulating, and analyzing the results; presenting the findings in a final report.

(4) *Advertising Agencies.* Most advertising agencies have marketing research services available to clients. The scope and extent of these services depends, to some degree, on the policy of the agency and its size. Some of the larger ones are tending to provide more general consultation and advice on matters of broad marketing policy than heretofore.

With the expansion of services and staff personnel to provide them, many advertising agencies are finding it necessary to make additional charges for these activities. This is especially true in those cases where marketing research operations involve any substantial out-of-pocket costs.

Specialized Research Organizations

There are many other types of organizations that are considered to be in the realm of marketing research services which tend to restrict their area of operation to some specialized phase or technique in this field. These specialists play a vital role in the entire economic pattern of marketing research service.

The use of a specialized service may be all that is needed in helping to solve a marketing problem. Again, the specialized service can be called upon by the consultant or marketing survey organization, if need be, to supplement their own research operation.

The facilities offered by the specialized service thus often eliminate the necessity for other research organizations to duplicate them, with possible savings in the over-all cost of research to a client. Here are a few of the more familiar types:

(1) *Field Interviewing Services.* Organizations of this type are primarily equipped to handle survey interviewing and supervision thereof, either in person or by telephone. Many of them will also handle surveys by mail. They are essentially independent contractors, but they include groups which may be part of a larger, established organization.

Any competent field interviewing service will have a carefully selected list of experienced people, located in various communities, whom it can call upon to carry out the detailed interviewing for a market survey. A great many have sufficient geographic and personnel coverage to operate on a national scale; others limit themselves to regional, State, or local areas.

While interviewing is still their prime responsibility, some of these firms have gradually expanded the scope of their activities to include participation in other phases of survey work. The more this latter development occurs, the more the field interviewing service tends to become an integrated marketing research agency.

(2) *Statistical Tabulating Services.* Organizations in this group are those which specialize in tabulating the results of marketing surveys from questionnaire information. They may also engage in compiling statistical information from other company marketing records; for example, sales reports, customer invoices, and territorial analyses. Tabulating operations are either done manually or by mechanical methods, usually the latter, through the use of punch cards or sensitized materials.

Tabulating service organizations are usually independent contractors, also including some affiliated with larger research organizations. Several of the larger independent tabulating firms also operate branches in various major cities throughout the country.

Tabulating the results of a marketing survey can be rather complicated. If you are planning to use an outside tabulating organization in connection with a market survey of your own, it would be a good idea to get advice from these experts *before* you start your survey.

(3) *Consumer Panel Services.* For many kinds of product and marketing situations, a consumer

panel offers a quick, effective, and economical method of getting answers to key questions.

Several firms make a specialty of operating consumer panels to the exclusion of almost any other type of research. Some of the larger marketing research agencies, and a few advertising firms, have also developed consumer panels as important phases of their main business.

Don't assume that a consumer panel will answer every marketing research problem. It won't. Nor should you use a consumer panel without first having some general understanding of its advantages and limitations.

(4) *Product Testing Services.* By product testing we mean those marketing research services that endeavor to evaluate probable market reaction to a product. This would exclude those classes of research service which are strictly engineering and scientific in nature, are usually associated with industrial products.

While most general marketing research agencies and consultants are equipped to carry out product tests, certain organizations tend to make a specialty of this type of research and are usually thought of in connection with products for home consumption.

Product tests are usually made before general marketing of the products begins. They cover new products as well as improvements to existing ones. Product tests also take a variety of forms. Perhaps the most commonly used are those associated with consumer samples, home testing laboratories, and "consumer juries."

The first of these methods involves getting the benefit of customers' opinions of the product by means of samples left at the home or picked up at a retail store in certain pre-selected test markets. Food manufacturers often use this method to good advantage.

Home testing laboratories are employed when it is desirable to observe the performance of a product under actual use conditions. Manufacturers of household appliances and supplies frequently use this method; you may be familiar with it in connection with test laboratory services conducted by some women's magazines.

The consumer jury is, in reality, one type of panel operation. In this a preselected group of people, usually housewives, are brought to a test center, exposed to the product, and their reactions and opinions of it observed under a set of controlled conditions.

If you are planning to use the services of a product testing organization, make reasonably sure it has had the necessary experience to do a satisfactory job in *your own or related* product lines.

(5) *Packaging and Industrial Design Services.* Yet another class of specialized marketing research services concerns itself primarily with problems of packaging, and the related field of industrial design. Today's highly competitive markets mean a constant struggle for customer attention to the product, particularly at points of sale.

This fact has increased the importance of good packaging, proper use of color, and general product design. In addition, it has given added weight to the importance of visual appeal and has increased the need for research in this area. Many well-known organizations are specialists in this field. But there is also a growing tendency on the part of other marketing research agencies to expand activities in this direction.

(6) *Psychological Services.* The study of human motivation and behavior is getting closer attention from business and marketing researchers alike. Any sizable marketing research organization probably now has on its staff one or more members who are highly trained in psychological techniques.

However, some specialized groups of consultants and research organizations devote virtually all their time and efforts to studies of motivation and human behavior--especially as these relate to markets.

Many are independent organizations. A few are affiliated with leading colleges and universities. From these students of "what makes people tick" have come some of the most significant developments in marketing research.

CHOOSING MARKETING RESEARCH SERVICES

At this point let's assume you have recognized a marketing problem and have decided that you need outside marketing research assistance. Also, let's assume you have a pretty good idea which type of service can help you most in solving this problem. How, then, do you go about selecting the one that can do the best job and is suited to your purse? Outlined below are the basic steps you should pursue.

● *Step 1.* If you have had previous experience with a marketing research or consulting organization--and it proved satisfactory--you will, naturally, want to discuss the matter with them. Find out, first, if they can handle the assignment. If they can, you will be able to take advantage of an established relationship in which you already have confidence. And you will gain the benefit of their previous knowledge of your business.

● *Step 2.* If you're getting into the field for the first time, explore the available services in your immediate city or area before considering those further away. Frequent meetings and consultations with any marketing research organization will probably be necessary before the job is finished. The selection of one near at hand, if feasible, can result in substantial savings to you both in cost of travel and in staff time.

But if you have any doubts about the ability of a local organization to perform in a competent manner, you should not hesitate to look elsewhere in spite of the additional cost. The worst thing you could do is to sacrifice good research through a desire to "pinch pennies."

● *Step 3.* If you have had little or no experience in selecting outside marketing research services, but have a marketing research staff of your own, consult them. They can be most helpful.

● *Step 4.* Talk to business friends and acquaintances who may have had experience in this area and get the benefit of their advice and suggestions. Your local bank, newspaper, Better Business Bureau, your trade association, and the business faculties of nearby colleges and universities may be able to help you with suggestions.

Many of these sources maintain lists of marketing research services or may have had experience with them. Trade publications in your field and professional associations of a marketing nature can also be valuable sources of information. Some, of course, may be hesitant about making specific recommendations.

● *Step 5.* Narrow your choice down to a reasonable limited list of prospects. Then ask them to provide you with copies of brochures explaining the scope and extent of their services. Study these carefully for additional clues to help you make your selection.

After doing this, set up personal appointments with the principals of the most interesting organizations so you can get the "feel" of their approach to your problem and the answers to any questions you may have about the details of their services.

● *Step 6.* Wherever possible, try to check the background and performance of marketing research services, preferably with clients for whom they have done work. Don't hesitate to ask for references. But don't automatically rule out a service just because it does not have an impressive backlog of clients.

Many organizations, staffed with competent people, may be relatively new to the business. Their experience and qualifications are sometimes equal to--may even surpass--those with longer records. Very often, too, the newer service may be able to give you a more favorable price.

● *Step 7.* Finally, ask the services that seem to offer the best possibilities to submit proposals, together with time and cost estimates, based on a uniform set of specifications for the research job. As a general rule, it will not be practical for you to seek estimates and proposals from a large number of organizations. Usually two or three are sufficient.

You can then compare costs, methods of approach, and probable results from each as a preliminary to your final selection.

● *Step 8.* Having done this, you are now in a position to negotiate whatever formal arrangements are necessary with the one of your choice.

WARNING SIGNALS TO WATCH FOR

Most marketing research and consulting services maintain high ethical standards. Unfortunately, however, there are some whose standards of performance and conduct do not measure up to the best traditions. How do you identify them and what are the things to look for? There are a number of ways to detect flaws in methods and practices. Here are seven.

(1) *Over-selling.* Be on your guard against those marketing research organizations that: try to "high pressure" you into buying their services; or try to sell you a research "package" which is more than you need or can afford; or make exorbitant claims about their experience and qualifications which you know, or have reason to believe, cannot be fully substantiated.

A reputable marketing research firm will not "balloon" a research project out of proportion to the needs of the problem or the client's pocketbook. To protect its professional reputation, it will not take an assignment it is not equipped to handle. It will usually be the first to tell you so.

(2) *Disparagement of Competition.* Avoid marketing research organizations that tend to "run down" their competitors. Not only is this a poor selling tactic in the professional field, but also a highly questionable business practice. If your interests can be better served by using the facilities of a competing organization, most responsible marketing researchers will tell you so. They may even recommend some one.

(3) *Price-cutting.* View with skepticism organizations which say they are quoting a price "at or below cost," and whose competitive bid for a research job appears abnormally lower than others. Chances are that the statement is not entirely true; costs can be padded. An unusually low bid may be genuine, but may also indicate a weakness in the research method. Be skeptical, too, of the organization that tries to find out from you what prices competitors have quoted before submitting its own estimate.

(4) *Extravagant Promises and Guarantees.* Much marketing research work, like a scientific experiment, is exploratory. Results may sometimes be inconclusive. There is always danger in designing a research project with a preconceived idea of what the results should be.

Any marketing research organization that sells its services by guaranteeing precise answers to a problem is on shaky ground. It should be viewed with suspicion.

(5) *Vague Ideas of Approach and Results.* Exercise caution, too, in employing a marketing research firm that is overly vague concerning the approach and probable results of the project. Such an attitude may reflect an uncertainty about how to attack the problem. A responsible marketing research organization should be able to say, within reasonable limits, what procedures will be used and what their capabilities and limitations are.

(6) *Reluctance To Be Specific.* Beware of a research organization that refuses to put on paper the specifics about a job. It is, to be sure, general practice *not* to require a formal contract for marketing research services. Most commitments are entered into in good faith, by mutual agreement of both parties. Authorization for the work to proceed is given by letter. So, if an organization insists on a contract, satisfy yourself that the demand is reasonable.

Now and then, there is trouble as a result of misunderstandings. If neither party can point to anything in black-and-white, it may be very hard to get the point in dispute straightened out.

While there may not be a requirement for a contract, there *is* a value in writing down the major points of the project. These might include: The kind and amount of work to be done; the starting and (if agreed upon) finishing date; the probable cost; and the form in which the information will be submitted.

There is every reason for you to insist on a cost estimate. Don't give, in effect, a blank-check authorization. Within reasonable limits, a research firm or marketing consultant should be able to estimate his costs, and should be willing to discuss them with you.

Sometimes circumstances are encountered which may necessitate a readjustment in the originally quoted price. Before any additional costs are incurred, however, the research organization should submit a revised estimate to you, together with its justification.

WHAT ABOUT COSTS?

What will marketing research services cost you? No one can say for sure. In price, marketing research projects can, and do, range from those of rather limited extent, costing a few hundred dollars, to the more comprehensive, ambitious ones which cost thousands.

For example, a survey conducted by mail or telephone is likely to be much less expensive than one of comparable size where personal interviews are used. In the latter case, one would probably have to pay not only high rates for staff, but interviewing time and cost of travel as well.

Again, a "pilot" study or one that is restricted to a limited geographic area would probably cost you less than one more nearly national in coverage. Employment of an individual consultant, or smaller firm, may sometimes be less expensive than utilizing the facilities of a larger organization with its more extensive staff and greater overhead.

Costs for marketing research services are determined in several ways. A very common method is a flat fee or "package" price for a specific project. It is based on the research firm's best estimate of all expenses necessary to complete the job, plus a reasonable margin of profit.

Sometimes prices may be quoted on a "cost plus" basis where the kind of work and need to provide for unforeseen contingencies make accurate cost estimates more difficult. In such cases, the marketing research organization will usually quote a top cost figure for the project and give the benefit of any savings to the client.

For work that is primarily consultative, prices are usually quoted at a fixed rate per day for staff members involved, plus travel and other out-of-pocket expenses. These daily charges may range from $25 to $250 or higher, depending upon the calibre of the manpower used. But $50 per day is a practical minimum. You may get a graduate student for less than that, and this may be a perfectly good approach.

On the other hand, an acknowledged expert, backed up by years of experience will, certainly, come higher.

The typical per diem billing for most professional marketing consultants would probably fall somewhere within the $ 75-150 range. For an average round figure, be prepared to think in terms of $ 100 per day.

Another method of charging for marketing research services, frequently used, is the monthly or annual retainer fee. This is a fixed amount. It is determined largely by the amount of time to be devoted to the client's problems and the nature of the work to be performed. The retainer provides the consultant with a steady source of income. This permits his staff and overhead costs to be allocated to a number of clients. Consequently, it is sometimes the most economical method of underwriting marketing research costs for a small business.

Before bidding on a research assignment, a marketing research organization should normally not make any charge for: time spent by principals and other key people in a preliminary discussion of your problem; the preparation of a formal proposal and subsequent price negotiations. These are properly considered to be business development and promotional costs you are not expected to pay for.

High-quality marketing research can be relatively inexpensive in terms of results achieved. But you must not expect to buy it at bargain rates. If you do, you are apt to be the loser.

FOR FURTHER INFORMATION

Readers who wish to explore further the subject of selecting marketing research services may be interested in the references indicated below. In keeping with the editorial policy of the series, this list is necessarily brief and selective. However, no slight is intended towards authors whose works are not mentioned.

In addition to the specific references in this column, readers may often find valuable information in such publications as *Printers' Ink*, *Advertising Age*, the *Journal of Marketing*, and the Commerce Department's *Distribution Data Guide*.

"A Minimum Program for Marketing Research," by J. Wesley Rosberg in *Industrial Maketing*. Order from Reprint Editor, Industrial Marketing, 200 East Illinois Street, Chicago 11, Illinois. January 1960. Reprint 50 cents per copy.

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Bradford's Directory of Marketing Research Agencies in the United States and the World 1958-1959, by Ernest S. Bradford. (Includes sizes of staffs, type of work done by the individual organization, and the names of the executive personnel.) Bradford's Directory of Marketing Research Agencies, 50 Argyle Avenue, New Rochelle, New York. $9.00 Addendum 1959, $1.00.

A Geographic Listing of Marketing Research Agencies, Services, and Consultants by State, Cities and Counties. American Marketing Association, 27 East Monroe Street, Chicago 3, Illinois. November 1958.

SMALL BUSINESS
ADMINISTRATION

Management
Research Summary

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Market Research and Planning for Small Manufacturers

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HIGHLIGHTS

The small manufacturer should have a marketing research program that fits his budget, his personnel, and his problems. Not every research project requires a costly formal survey.

Some firms have strong growth objectives. Many others remain at their existing size from choice; they accept new customers but make little or no effort to uncover additional business.

Internal records, government statistics, and business or trade associations and publications are inexpensive and reliable sources of information for the solution of many problems.

When a problem requires formal research, it is possible to stretch a small research budget a long way by accurately defining the problem and planning the research carefully.

Both market research and market planning are cornerstones to any marketing concept. A close relationship should exist between those two management tools. With this in mind, the purpose of the study which is summarized here is (1) to determine the extent of market research and planning among small manufacturers; and (2) to supply information to small manufacturers on methods of improving their marketing operations through such research and planning. To accomplish these purposes, the marketing operations of 106 small manufacturing firms in Minnesota were examined.

MARKETING RESEARCH

Marketing research has not been used consistently by all the firms surveyed. Only 3 of the 106 cooperating firms had their own marketing-research departments. Nineteen others used outside marketing-research services. Most of the other reported research activity consisted of an informal feedback from salesmen and dealers.

In the firms studied, the founders and present heads (where different) most frequently had non-marketing backgrounds. This point is important because the strength of the top man in a small firm is reflected in his firm's operations. A good engineer for example, stresses design or production facilities. The result is often overemphasis in one area and neglect of other areas such as financing and marketing.

TYPES OF RESEARCH

The following selected examples illustrate the various types of marketing-research activity found among the firms studied.

- ***Product-marketing research.*** One firm made an informal survey of the trade before putting a proposed new product on the market. Information obtained from the survey convinced the management that the product could succeed. Another company used market research to calculate the market potential for a new-product idea. Examination indicated that a break-even point could not be reached, and the idea was abandoned. Further developments proved the wisdom of the decision.
- ***Channels-of-distribution research.*** One firm conducted informal interviews with jobbers prior to making any change in distribution. Another developed a process of examining potential dealers.
- ***Market-area research.*** Although the firms surveyed gradually had widened the areas of their distribution over the years, the study revealed that such expansion occurred almost entirely without formal research or planning. Many reported that the information needed for expansion had come from customer inquiries or from contacts with salesmen, jobbers, and

AVAILABILITY OF THE FULL REPORT

This report was prepared under the Small Business Management Research Grant Program of SBA. It may be reviewed at any SBA field office or at certain depository libraries whose addresses may be obtained from the SBA field offices or the Small Business Administration, Washington, D.C. 20416. The report was published in 1961.

other suppliers. The president of one firm calculated a sales-to-population ratio of all actual and potential markets, using industry and company sales data.

- ***Customer analysis.*** Certain kinds of customer analyses were reported. They include, among others, the following: account profitability, distribution-cost analysis, customer-sales breakdown, concentration-of-sales analysis. One company made a socio-economic profile of its customers, which was helpful in the conduct of its advertising programs.

- ***Advertising research.*** Several studies that evaluated advertising programs were reported. Frequently, returned coupons were examined, and on this basis the firm decided whether a certain kind of advertisement or medium was suitable. There were two cases of pretesting of magazine advertising. In both cases, the ads were rejected as a result of the test.

MARKETING-RESEARCH TECHNIQUES

The marketing-research techniques reported by the Minnesota manufacturers were for the most part inexpensive and informal. Following are some of the techniques used.

- ***Sales analysis.*** Some of the firms examined their sales figures for customer analysis, profitability of accounts, geographic coverage, month-to-month changes, salesmen's performances, and share of the market.

- ***Informal surveys.*** Some of the companies surveyed their dealers informally; other checked their salesmen, agents, and even suppliers. The results were often verified against information in trade-association materials and trade publications.

- ***Formal surveys.*** The term "formal" implies a rather extensive coverage according to generally accepted sampling and survey procedures. The launching of new products was the reason given most frequently for spending funds for such a survey. Formal surveys, however, do not have to be nationwide. Spot surveys of selected markets provided another method for small manufacturers.

- ***Other techniques.*** One firm classified its customers according to the Standard Industrial Classification code (a detailed classification of industries by types, published by the U.S. Bureau of the Budget) to develop forecasts and quotas for their salesmen.

Several manufacturers had test-marketed their products with success. One used a panel of customers.

Many of the firms used secondary data found in business and government publications.

MARKETING RESEARCH BENEFITS

The most conclusive evidence in favor of using marketing research is provided by the small manufacturers themselves. Here are some of their comments:

"We pruned down our product line on the basis of research findings."

"The risk of running our business is less now than when we relied entirely on hunches."

"We have been able to reduce the number of salesmen and to reallocate the others effectively."

"Our product acceptance is much better now that we are using research."

There were also instances where lack of marketing research had caused serious trouble, as in the following cases:

1. A salesman reported the need for a new machine. The firm designed and built the proposed machine. Later the market proved to be so small that development costs could not be recovered.
2. A firm did not check on customers and their needs. Competition moved in before the company was aware of what was happening. The results were almost disastrous.
3. One company had a new product on the design boards. The president figured that the customers were not yet ready for it and withheld it. Competition introduced a similar product with success, and now the firm is trying to catch up.

To some of the manufacturers, however, the use of marketing research did not seem practicable. Here are some of the reasons they gave:

1. The costs of operating a market-research department were too high.
2. Elaborate research reports placed too much emphasis on the procedure, whereas results are the important thing.
3. Marketing research would tip their hand to competitors.
4. Salesmen provided all the information that was needed. Close contact with customers eliminated the need for research.
5. Market research causes too many "hip-pocket decisions."

Some of the above are excuses rather than valid reasons. Others do illustrate some of the practical limitations to using marketing research. Marketing research does cost money. It does take time. It is subject to interpretation and error. But experience has convinced a number of these small manufacturers that marketing research is worthwhile.

MARKETING-RESEARCH REQUISITES

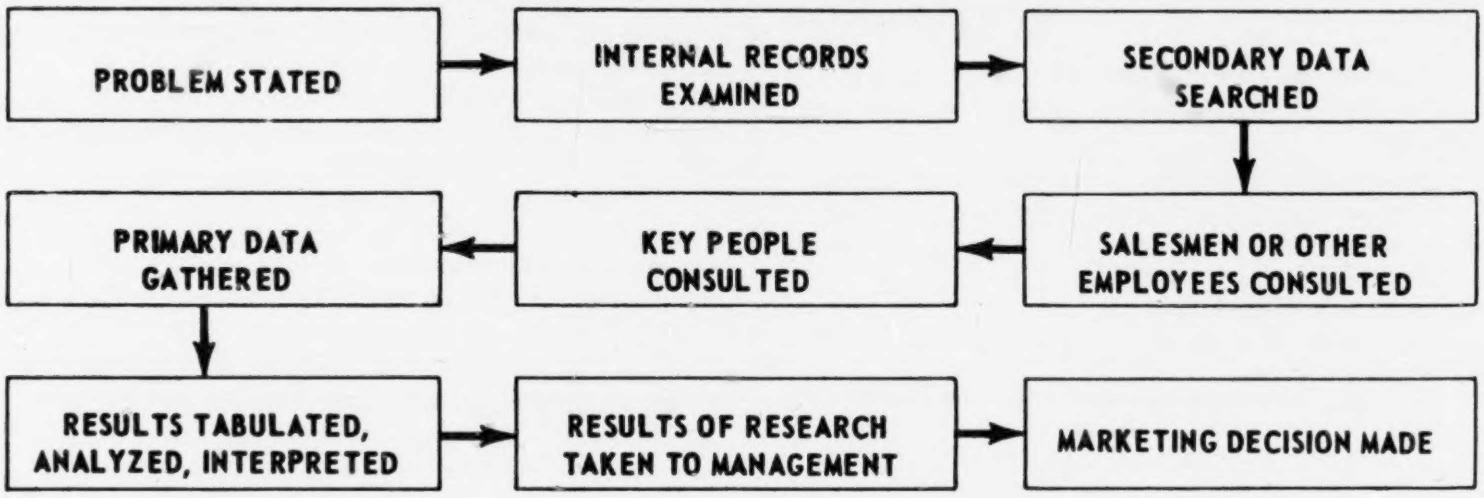
The experiences of the firms interviewed suggest a number of points concerning marketing research in small manufacturing plants.

The small manufacturer should have a marketing-research program that fits his budget, his personnel, and his marketing problems. Where can marketing research be of use? What will it cost? Not every problem requires research. Not every research project requires a costly formal survey.

Manufacturers should rely on their internal data as much as possible. When additional data are needed, government sources, trade publications, and other secondary sources of information may be helpful.

It may prove useful to small firms to consider the marketing-research process in phases, as shown in the accompanying diagram. The idea is that an attempt to solve the problem is made at the conclusion of each phase of research. Only if more information is needed does the firm go on to the next phase.

FLOW OF MARKET RESEARCH PROCESSES


PROBLEM STATED
INTERNAL RECORDS EXAMINED
SECONDARY DATA SEARCHED
SALESMEN OR OTHER EMPLOYEES CONSULTED
KEY PEOPLE CONSULTED
PRIMARY DATA GATHERED
RESULTS TABULATED, ANALYZED, INTERPRETED
RESULTS OF RESEARCH TAKEN TO MANAGEMENT
MARKETING DECISION MADE

MARKET PLANNING

Planning is probably the key to a strong marketing program, but before the plan, an objective must be set. Yet only 29 of the 106 firms said that they had clearly formulated objectives, and only 11 had put their objectives into writing.

Informality characterized most of the market planning of the Minnesota firms. Emphasis was on short-range instead of long-range plans. The next year's operations were frequently planned, but long-range planning was found in only a few firms.

The following comments about the general benefits of market planning were among those made by the firms interviewed:

"The morale of our people is better with planning."

"With planning we have time to make intelligent decisions."

"Planning forces us to integrate all of our operations."

"We catch mistakes before they are made."

"We don't panic now if sales dip a bit."

"New markets are entered more easily and sooner and with efficiency."

"We have a framework now to work by."

Several manufacturers told of losses that might have been avoided if planning had been in use.

A PLANNING PROGRAM

On the basis of the experiences of the 106 Minnesota small manufacturers and experiences reported in business literature, it is possible to make some suggestions about the development of market-planning programs in small manufacturing plants.

Firms starting the planning process for the first time may have to do a good deal of preparatory work. Objectives of the firm may have to be formulated. Basic marketing policies will have to be established. It may be necessary to change the attitudes of employees so that the planning will be accepted.

The process will vary from firm to firm because each firm starts at a different point in the process, and each has different needs. After the preparatory work, there is the actual planning process, which might be outlined as follows:

1. Many broad, and later more detailed, decisions must be made. Just what they are will vary from firm to firm.
2. Once the marketing decisions have been tentatively made, they must be coordinated with finance planning and the planning in all other management areas.
3. Upon integration of the parts of the whole, the plan must be communicated to the employees.
4. As time goes on, the plan will have to be controlled and modified to meet current conditions.
5. The plan will have to be developed in detail for each planning period or as special needs for planning arise.

PLANNING PERIODS AND CONTROLS

From answers given to questions about planning periods, it seems evident that each firm must figure out the best planning period for its own operations. It was found, for example, that one firm had constructed a 15-year plan, in very broad terms. Another used the life of a Government contract as its long-range planning period. Another had found 3 years about right.

Typically, the firms studied had planning periods from 3 to 5 years long and, in addition, short-range plans for the coming year's operations.

The firms using long-range plans found that check points were needed. Sales figures, competition, and changes in products can influence the basic plan, and the check point gives management an opportunity to modify the plant so that it remains operable.

HINTS ON MARKET PLANNING

The following "hints" are based on remarks made by the small manufacturers who cooperated in the study:

Objectivity is an essential for good planning.

Development of strategy goes hand in hand with planning.

An objective gives the firm a goal for planning.

Forecasting is necessary in planning. Budgeting is also an integral part of the planning process.

Long-range plans must be kept realistic and in tune with changing times.

There must be understanding and acceptance of the entire process.

The emphasis should be constructive, not destructive.

Simplicity should characterize any plan.

A time schedule serves as a means of control.

Centralization of the process brings about integration. Decentralization aids implementation.

HOW THE STUDY WAS MADE

The survey was conducted among small manufacturers selected from a list of Minnesota's firms. The 106 firms chosen were of various sizes and industry classification, and included both metropolitan and small-city manufacturers.

Information was gathered by means of interviews planned so as to bring out the use of marketing research and planning. Several followup interviews were conducted among the firms reporting widespread use of these two management tools.

The survey was preceded by an intensive search of the literature on marketing research and market planning, with emphasis on the small firms.

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SMALL BUSINESS ADMINISTRATION
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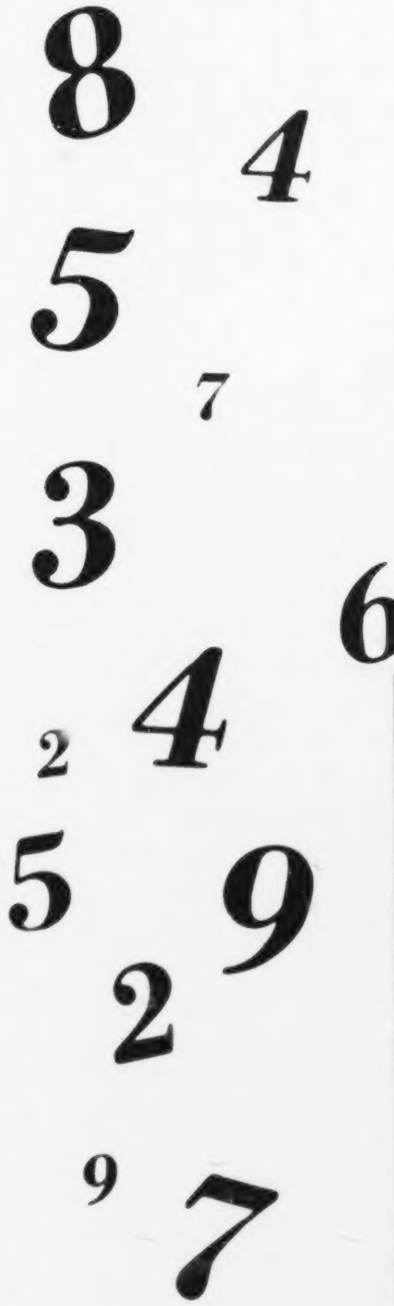
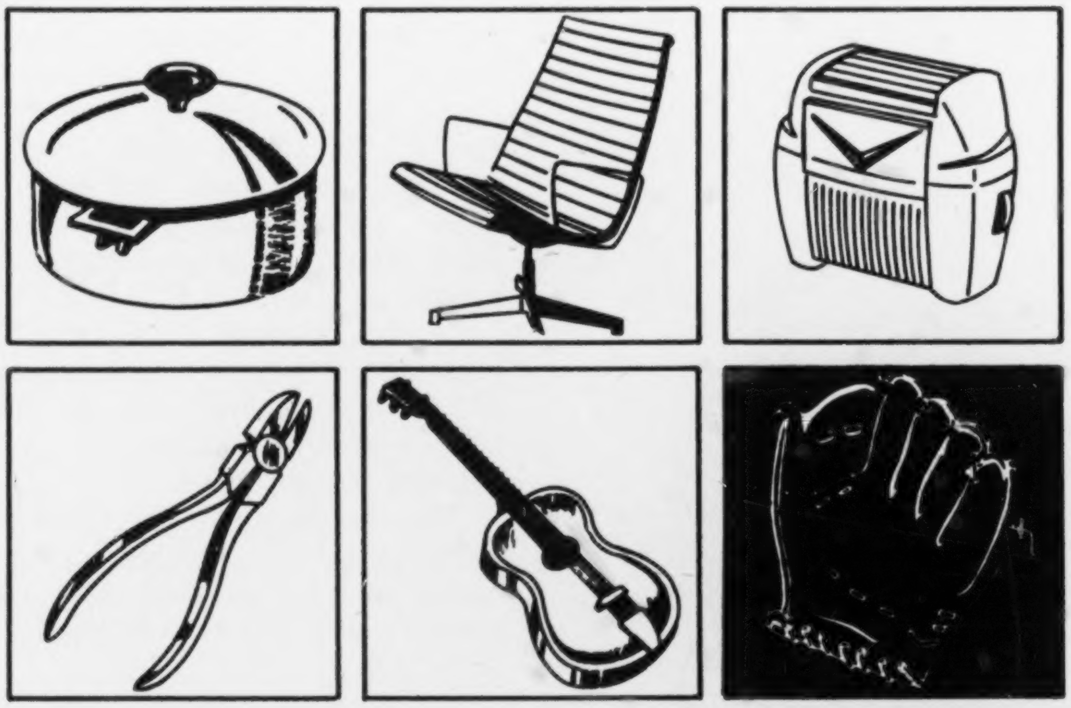


USING CENSUS DATA IN SMALL PLANT MARKETING



By Solomon Dutka, President Audits and Surveys Inc., New York, N.Y.

SUMMARY

The statistics published by the Bureau of the Census concern the economic lives of people. These facts and figures are valuable marketing information for the owner-manager of a small plant.

While he will not find ready-made answers in the Census data, the owner-manager can find clues which will be useful in working out solutions to his particular problems—whether marketing consumer or industrial products.

This *Aid* stresses consumer products. However, the procedure for using Census data—breaking the marketing problem down into questions—is similar for industrial products. The *Aid* offers examples of how small manufacturers use Census statistics.

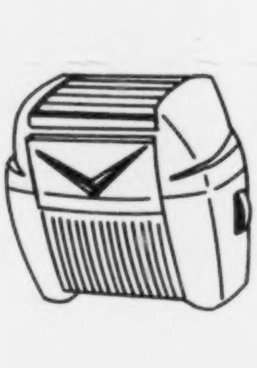
"I know I need it, but I can't afford it," is the way many owner-managers of manufacturing companies feel about marketing research.

They are right, in a way. Often their companies cannot afford complex studies to gather a wide range of information about markets, potential markets, their products, and new products.

Yet, small companies are the ones that often need marketing information in order to compete effectively. When the money an owner-manager can spend for product development and marketing is limited, he has to make every dollar count. For example, he cannot afford to spend a thousand dollars on advertising that goes to wrong people—ones who are only marginal prospects for his products.

In using every marketing dollar to the best advantage, the owner-manager of a small manufacturing company may be overlooking a useful source of information. It is the United States Bureau of the Census.

The statistics which this Agency gathers are a valuable natural resource. In fact, the information concerns your greatest resource for marketing—the people of the United States and their economic activities.



By knowing and applying the appropriate statistics to your problems, you can market your products to a better advantage. For example, you might use Census information to stretch your advertising dollars, to reduce the risk of new product introduction, or to improve the accuracy of marketing decisions.

KINDS OF DATA

The kinds of Census data the owner-manager uses depends on his products and the types of markets he serves. If he sells an industrial product, for example, valves, he would need information about manufacturers. On the other hand, if he makes a consumer product, such as neckties, he would need information about people—especially about men.

The various kinds of Census statistics are listed in the section, "Getting Census Reports," on page 7 of this *Aid.*

Whether the data are about manufacturing, mining, population, or housing, the pattern is the same for using the information in marketing research. In this *Aid*, the Census of Population and the Census of Housing are used as examples.

- *Population and Housing.* The Census of Population and the Census of Housing provide information about: sex, race, number of persons in household; number and types of rooms; water availability; method of house heating; availability of telephones; presence of clothes washer, dryer, television, radio, air conditioner; and number of automobiles, and other items. The Bureau gathers this information every 10 years and updates it with periodic estimates. The next Census will be in 1970.

The reports are issued by area and subject and are sold by the Superintendent of Documents, Washington, D.C. 20402. For example, the population report for the State of Missouri consists of 653 pages and is titled *Census of Population: 1960, Volume 1, Characteristics of the Population, Part 27, Missouri.* The price is $5.00.

The summary report on the Nation's population is titled *Census of Population: 1960, Volume 1, Characteristics of the Population, Part A, Number of Inhabitants.* This book sells for $8.75 and includes separate chapters of detailed tables for each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Canal Zone.

The housing report for Missouri, for example, consists of 178 pages and is titled *U.S. Census of Housing: 1960, Volume 1, States and Small Areas. Missouri.* The price is $1.25.

- *Business.* The Bureau also provides information on retail, wholesale, and selected services in its *Census of Business.* These reports present data, such as sales size of establishment, employment size of establishment, and sales by merchandise lines. For additional information, see the *Bureau of Census Catalog*, listed in "For Further Information" on page 8 of this *Aid.*

In addition, the Bureau of the Census, for a fee, will tabulate special data to meet a company's individual needs. The policy on such services is described in the *Bureau of Census Catalog.*

INTERPRETATION STARTS WITH QUESTIONS

In applying Census statistics to your market planning, you should keep in mind that the Bureau of the Census compiles descriptive data. You have to do the interpreting.

Interpretation starts with questions. The pieces of Census information you use depends on the questions to which you need answers. Suppose, for example, that an owner-manager wants to set up several new sales territories.

His question is: What geographical areas contain the best prospects? In working out an answer to this type of question, data extracted directly from the Census tables can be immediately useful. You can use information such as income, family size, and occupation, for example. This type of information is reported for areas as small as "census tracts" in 180 metropolitan regions. A census tract consists of about 4–5,000 persons.

A limited amount of information is provided for each block in cities of 50,000 or more inhabitants. This information includes the population count, condition of housing unit, plumbing facilities available, tenure, value of owner-occupied units, rent of rented units, color of occupants, and units with 1.01 or more persons per room.

A sales territory may be set up by using multiples of these basic units, such as city blocks. This arrangement is particularly valuable for a door-to-door sales force.

Once he has determined where to establish his territories, the sales manager can use Census data as an aid to setting equitable sales quotas. A study of detailed Census reports of employment levels, income, and population density for each unit of a salesman's territory can show the potential or lack of it for each unit.

If your type of product is actually covered in the Census, you can use the information without translating it. For example, the Census of Housing carries statistics on home appliances, such as, washing machines, and freezers.

However, when there are no Census figures on your type of product, you have to use related data. By assuming that areas with heavy concentrations of a certain product are also good prospects for a similar type product, you often make valid inferences about your market potential.

EXAMPLES OF USE

The experience of a small manufacturer of automobile dashboard accessories provides an example of using Census figures as an aid in adding new sales territories. "Where are the high concentrations of automobiles?" was his first question.

When he had the answer, he then looked to see which of the geographical areas under consideration had concentrations of auto supply stores and variety stores—the kinds of retail outlets that did the best job with his products in his established areas. He was able to find this information in the *Census of Business.*

Another example of relating Census data to an individual company's problem is the market research done by a manufacturer of paneling and room accessories. His company had franchise arrangements with local contractors who used the materials to convert basements into finished rooms.

To widen his market, he first had to find an answer to: What areas will be best for franchises? The Census statistics on housing helped him to learn: (1) the type of homes that predominated in a particular area, and (2) whether they were built on concrete slabs or with a full basement.

He quickly ruled out the areas where the houses had no basements.

His next question was: Can people in the particular area afford to finish off their basement? He examined data on family income and the number of children. Then he examined the statistics on car ownership. He looked for families that owned more than one car—an indication that they had discretionary income which might be spent for home improvement. As a result of his study of Census data, he was able to grant franchises in areas which had a good market potential.

Census data can be useful also for keeping a company in step with its customers. One apparel manufacturer, for example, studied Census statistics for possible trends that might affect his business. When the figures showed that the population in the areas where he was selling had a high concentration of teenagers and young adults, he added new styles directed at these groups.

ADVERTISING

The owner-manager of a small plant can also use Census data to help control his advertising budget. The fact that the sales of many small plants are regional rather than national makes the advertising and promotional job easier.

Even if you sell in the national market, the analysis of individual regions can be useful in planning advertising. Looking at the regions that make up the national market should indicate whether you need to design different sales strategies and advertising campaigns for each area.

Some national magazines operate on production schedules that allow advertising content to vary by type of market. In addition, spot radio and television commercials can be changed to pinpoint specific areas with tailor-made sales messages.

Thus stretching your advertising dollars becomes a matter of answering two questions: (1) In what areas should I advertise? and (2) Which media reaches the right audience—the one that contains my customers and potential customers? The answer to either question depends on the audience composition in each area.

The Census data can detail an audience profile in terms of buying power, education level, occupation, and other factors bearing on the selection and tailoring of a marketing approach. The information is available from the Government at low cost. With these facts, you can more accurately select media and relate advertising potential to cost.

An example is seen in the experience of a cosmetics company which markets its products in several sections of the Country. Its owner-manager uses Census data to keep track of the age groupings of the female population. From the Census figures, he learns what groups are prospects for certain of his products and where these groups are located. He then places his advertising in media which are used by members of the groups. He also sees that sales outlets are stocked with the advertised products.

NEW PRODUCT INTRODUCTION

When developing and introducing new products, the owner-manager can also use Census data in two ways. First, new products may be suggested because the statistics reflect the living patterns of consumers. Second, the statistics may be used in connection with marketing testing. The Census supplies demographic characteristics, such as age, sex, color, and marital status, which can be helpful in selecting test market cities.

The experience of a small meat packing plant provides an example of using Census data in new product development. Its owner-manager learned that the statistics for his sales area showed an impressive number of home freezers. In these, he saw a new market—cuts of meat sold in bulk lots for storage in home freezers.

There is no "typical" test city in which a new product can be put on sale to measure consumer reaction. The problem is to select a city or area that will yield the information you need for deciding whether to go ahead with the product or drop it.

Because they indicate the characteristics of a city's population, Census reports can be used to help pick a test city or cities. Along with these data, you use information which you have about your product distribution and information about the available advertising media.

UPDATE WHEN POSSIBLE

In using the Bureau of Census reports, it is important to regard them as basic guides and update them with other information whenever possible. The vital thing in marketing is current, or as current as possible, information.

To make sure that you have it, you should consult sources of marketing information such as those listed in the "For Further Information" section of this *Aid*. In some cases, the owner-manager can update Census information by conducting his own survey. For example, one builder of houses believes that most people buy homes valued at approximately 2½ times their annual salary. Before he decides on the type of houses he will build in a particular area, he brings the Census data up-to-date by making his own survey of the income level and the prices of homes in that area.

GETTING CENSUS REPORTS

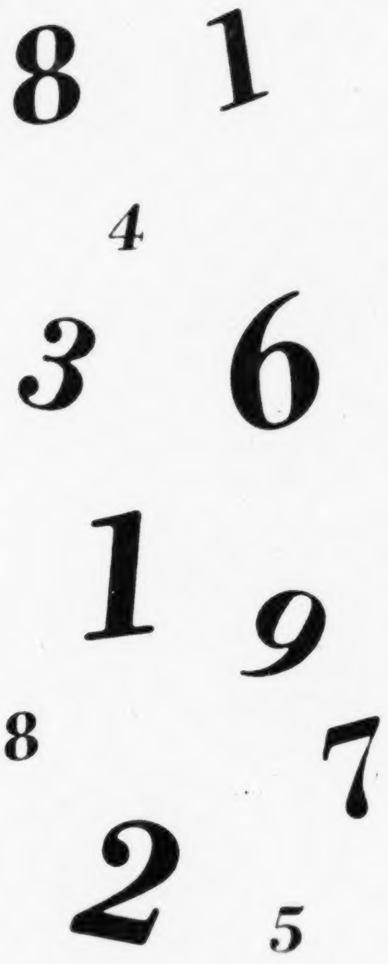
The Bureau of the Census issues many publications to make available the information that is gathered in the following censuses:

- POPULATION and HOUSING Censusues—taken every 10th year ending in "0", example 1960.
- GOVERNMENT Census—taken every 5th year ending in "2" and "7", example 1957, 1962. (This Census provides data on the charactertistics and functions of State and local government.)
- BUSINESS, MANUFACTURES, and MINERAL INDUSTRIES Censuses—taken every 5th year. Beginning in 1967, in years ending in "2" and "7".
- AGRICULTURE Census—taken every 5th year ending in "4" and "9", example 1959, 1964.

In addition, the Bureau makes a monthly report of business conditions in a publication called *Business Cycle Development*.

The publications are listed under the following headings in the Bureau's catalog: General, Agriculture, Construction and Housing, Distribution and Services, Foreign Trade, Geography, Governments, Manufacturing and Mineral Industries, Population, and Transportation. The catalog indexes the reports by subjects. A special section describes the Census data files and unpublished materials which can be used for special tabulations which are offered on an annual subscription basis.

The catalog is issued quarterly, with monthly supplements, available from the Superintendent of Documents, Washington, D.C. 20402. Ask for *Bureau of the Census Catalog*. Annual subscription, $2.25.



FOR FURTHER INFORMATION

Businessmen who wish to explore further the subject of using Census data may consult the following references. This list is necessarily brief and selective. However, no slight is intended towards authors whose works are not mentioned.

THE EDITOR & PUBLISHER MARKET GUIDE. Published annually in September. $10. Editor & Publisher Co., 850 Third Avenue, New York, N.Y. 10022.

SURVEY OF BUYING POWER. Published annually in June. $6. Sales Management Inc., 630 Third Avenue, New York, N.Y. 10017.

THE STRATEGY OF MARKETING RESEARCH by Chester R. Wasson. 1964. $8.50. Appleton-Century-Crofts, 440 Park Avenue, S., New York, N.Y. 10016.

JOURNAL OF MARKETING. Quarterly. $2.50 per copy, $8. per year. Recent issues of the publication which is published by The American Marketing Association, 230 North Michigan Avenue, Chicago, Ill. 60601.

BUREAU OF THE CENSUS CATALOG: JANUARY-SEPTEMBER 1966. Available for 45 cents from the Superintendent of Documents, Washington, D.C. 20402.

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GETTING FACTS FOR BETTER SALES DECISIONS

By **Warren R. Dix**

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SUMMARY

Sound decisions that result in profitable sales must be based on facts rather than on assumptions. As one sales manager said to his boss--the owner-manager of a small company: "We'd be in better shape if we had a lot more information about our markets, our salesmen, and what our customers really want from us."

This Aid stresses the possibility of adapting existing information to a small company's needs. It discusses five methods which small business owners can use for gathering facts necessary for making sales decisions. These methods are: (1) analyze your sales records, (2) use your salesmen to dig out facts, (3) survey customers and prospects by mail, (4) get information from trade sources, and (5) interview customers and distributors.

Harry Adams* was troubled as he talked with Bill Samchik, his sales manager. Costs were rising faster than sales volume.

The profit outlook was no longer bright for Mr. Adams' small company, Apex Machinery Corporation, manufacturer of specialized parts for a variety of industries.

Listen for a few moments to their conversation. Mr. Samchik is saying: "We've got to hire more salesmen if we want to increase our sales volume."

ADAMS--"Which territories need more men?"

SAMCHIK--"Chicago for one place."

ADAMS--"Do we know what the potential is there? Could a new man pay his way?"

SAMCHIK--"Maybe in some places, we should add agents. They're cheaper than salesmen."

ADAMS--"Which lines could agents handle? Instead of adding salesmen or agents, perhaps we ought to push harder on our most profitable lines. And ease up on weaker lines. How much time do our salesmen spend on each line now?"

SAMCHIK--"That's hard to say. It varies by territory. Overall, we don't know."

ADAMS--"Bill, we may be losing money on some products without realizing it. Especially when we consider the cost of salesmen's calls and their overhead."

SAMCHIK--"That could be. But when we get our new line of parts for boats going, it'll help our profit picture."

ADAMS--"Yes, but before we start building our inventory on this line, I wish we had a better idea of its potential. If we only knew more about where to push it and the best way to do it."

SAMCHIK--"Actually, Harry, we'd be in better shape across the board if we had a lot more information about our markets, our salesmen, and what our customers really want from us."

Mr. Adams and Mr. Samchik could use the five methods for gathering facts which are discussed in the rest of this Aid.

ANALYZE YOUR SALES RECORDS

Many companies, such as Mr. Adams', have a wealth of information--which isn't being used--in their own sales records. The experience of one small company shows how Harry Adams could put such information to practical use.

The owner-manager of this company which distributes supplies to the industrial market formerly operated on an assumption. He thought that every industrial plant was a good prospect. But he found that this was not true when he analyzed his sales records.

His analysis showed that only a few customers--2 percent--accounted for one-half of the total sales. And the same 2 percent accounted for more than half of the gross profits.

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*All names of individuals and companies are disguised in this Aid.

The breakdown revealed that more than 90 percent of the company's customers were small ones. They accounted for less than 10 percent of the sales.

The salesmen's call reports were then analyzed. This showed that salesmen were spending most of their time on the small accounts--ones which offered little hope for sales volume or profits. The salesmen were neglecting many big accounts--ones with good sales and profit potential.

Using this information, the owner-manager and his sales manager decided to start a new program. They instructed their salesmen to use their selling time on accounts with volume potential.

Other kinds of facts which you may find by analyzing your sales records are:

(1) Which products should be pushed, which should be "carried," even though the profit margin is small, and which ones should be dropped.

(2) Which territories are overstaffed, which are undermanned.

(3) Which customers (individual or by category) are profitable and which are not.

USE YOUR SALESMEN TO DIG OUT FACTS

A salesman's main job is selling plus service, but don't overlook the opportunity to have your salesmen make little surveys on a regular sales call. Here's how one small company used its salesmen when developing market plans for a new product--an item used by the steel industry.

The owner-manager needed to estimate the new product's total market potential so he could determine his working capital needs. It so happened that a steel plant's use of the new product was proportional to the amount of water used by the plant for cooling purposes. "How much water do you use?" was the question which the salesmen asked during regular calls on a number of steel plants. They got data for a "number" of plants.

The owner-manager then compared these water-use figures with each plant's known capacity for producing steel, pig iron, and coke. Thus he worked out a ratio between production capacity and water use.

He then used statistics from the American Iron and Steel Institute to calculate the total amount of cooling water used by the steel industry. In this way, he arrived at an estimate of his potential market. The estimate was accurate enough to use for forecasting purposes.

As a by-product of this estimate, the owner-manager found himself with a list of water-use figures for every steel, iron or coke plant in the country. He used it as a "target account" list. With it, his salesmen were able to determine which plants had the best sales potential.

SURVEY CUSTOMERS AND PROSPECTS BY MAIL

Another technique which Mr. Adams and Mr. Samchik could use is the mail survey. When you need information from a large number of companies, the mail questionnaire is more practical than using salesmen to get data. Sometimes you can use a mail questionnaire to secure confidential information which customers might not give to salesmen.

The customer does not have to sign the questionnaire which you send him. If necessary, you can keep your company's identity confidential. Your questionnaire can be on the letterhead of a market research firm, trade publication, or management consultant.

Confidential mail surveys are used to get information such as: (1) the commission percentages that competitors pay their agents; (2) the market shares that go to your various competitors; and (3) your share of the total market.

One of the most useful purposes of mail surveys is that of determining the potential for your products in various geographical areas. For instance, your sales records tell you how much business you are getting from Chicago, for example. But how much should you be getting?

First, how much is there to get in Chicago or any other industrial area? Such information is helpful in setting up sales goals and in deciding where to place salesmen.

If you sell expendable materials or low-cost capital goods, you can use a mail survey to determine your sales potential in a particular industrial center. (It's more difficult to do this for high-cost capital goods because a business recession may change a customer's plans and alter the sales potential temporarily.)

In making your survey, you can get information about industrial companies for your mailing list from *County Business Patterns* (a series of booklets published by the U.S. Department of Commerce--see "For Further Information" on page 4 of this Aid). These booklets show the number and size of companies in each county by type of industry. Industries are listed according to the Standard Industrial Classification System. The information about them comes from Social Security reports which companies are required to file.

State industrial directories are another source of names for your mailing list. Your trade association, chambers of commerce, and similar organizations should be able to give you details on such directories for your State.

In trying to determine your potential in a given industrial area, you must know the average amount of your product which your customer-plants buy per employee. It probably varies with different types of customers--even in the same industry. Your mail survey can help you determine it, if you don't already know it.

Your questionnaire might ask: "What were your purchases last year of Item X?" "How many manufacturing employees did you have last year?" (Or how many employees in X department use Item X?)

You might also ask some additional questions, such as "Are your purchases of Item X going up or down? Who is the best supplier of Item X? Why?" and so on, depending on your situation.

When prospects return your questionnaires, code them by Standard Industrial Classification numbers which you get from the *Standard Industrial Classifications Manual.* It lists industries according to groups. For example, "Major Group 36" is "Electrical Machinery, Equipment, and Supplies." Several types of industries come under this major group. For instance, "Electrical Industrial Apparatus" carries a group number of 362 and is broken down by industry numbers, such as 3621 for "Motors and Generators," 3623 for "Welding Apparatus," and so on. (See "For Further Information" on page 4 of this Aid for purchasing this *Manual.)*

S.I.C. numbers enable you to sort the questionnaires by types of industry--primary metals, metalworking, brick and clay, lumber, food, and so on. You can then easily find out the average annual purchases per employee for such industries in a particular area. And with this knowledge you can decide which customers are worth going after.

For example, one small company made a product which was used by meat packing plants. The owner-manager wanted to find his sales potential for an area involving 300 counties.

From the *County Business Patterns* he determined the total number of meat packing plants in the 300 counties and their total number of employees. When he analyzed the mail questionnaires which he had sent to these plants, he learned that an average plant bought $200 of his product per employee per year. Multiplying this $200 by the total number of employees gave him a potential sales figure.

Bear in mind, however, that mail surveys have limitations. Because of the many factors involved your figures will not be 100 percent accurate.

But even so, a rough calculation of the potential in your territories is better than guesswork figures. Such a calculation may sometimes draw a more accurate picture than your past sales record. For instance, your "best" salesman might be only skimming the top of a rich territory. Or your "poorest" salesman could be doing an excellent job because he is getting a big share of the existing business in a thin territory.

GET INFORMATION FROM TRADE SOURCES

You can get information from trade magazines, trade associations, and Government publications.

When you want facts in a hurry about the market for a new product--or a new market for an existing product--the trade magazine covering that particular market is a good place to start. Some trade magazines make comprehensive market surveys and are glad to send you copies.

Often the people in a trade magazine office can refer you to other good sources of information, such as surveys made by trade associations or by the Government.

In many cases, you won't find the exact information you need neatly compiled in a ready-made survey. To use an extreme example, suppose you needed to know the percentage of trucking companies employing left-handed drivers. You won't find your answer in an existing survey, but an existing survey can be your starting point.

Such a survey might give you part of the answer--the number of over-the-road haulers in your marketing area, who employ 100 or more drivers. In this example, you could use these figures as the basis for a mail survey. Or if you could find out the percentage of left-handed males to right-handed ones, you might use it and the total number of drivers to estimate what you want to know--the number of companies employing left-handed drivers.

Government publications can be helpful in locating sources of marketing information. For example, "National Directories for Use In Marketing," *(Small Business Bibliography* No. 13,--formerly *Small Business Bulletin* No. 13--free from the Small Business Administration.) In it, you will find a selected listing of directories with emphasis on directories of companies that buy goods for resale. Another example is "Marketing Research Procedures," *(Small Business Bibliography* No. 9, also free from SBA.) It gives you references on questionnaires, sales forecasting, motivation research, and so on.

The U.S. Department of Commerce publishes an annotated listing called, *U.S. Department of Commerce Publications for Use In Marketing and Distribution.* Publications are listed under three headings: general business statistics, domestic trade, and foreign trade. (See "For Further Information" on page 4 of this Aid.)

In getting facts for better sales decisions, keep two things in mind: (1) always find out first what information is available, and (2) look for ways you can adapt such information to your problem.

INTERVIEW CUSTOMERS AND DISTRIBUTORS

Certain kinds of questions can best be answered by interviews. For instance: "Why are we losing business? Because of price? Is something wrong with our product? Our salesmen?"

"Why don't our distributors push our line harder? Is it our discount schedule?"

"What is the future for our product? Are our customers experimenting with processes that may replace our product? What are the basic trends in our markets?"

Customers, prospects, and distributors are the people who have the answers to these kinds of questions. And for this reason, some owner-managers spend a lot of time with these people.

Other small business owners rely mainly on their salesmen. They are the company's "eyes and ears in the marketplace." Yet a danger here is that facts can become distorted in transmission. For instance, most salesmen won't tell you that your company is losing sales when they are at fault. A salesman is not likely to tell you, "I lose sales because I can't do a good job of closing" or "I lose them because I can't get in to see the big buyers."

Then too, it is sometimes hard, even for the owner-manager, himself, to get straight answers from customers, prospects, and distributors. They tend to tell you what they think you want to hear. Some people don't want to hurt an owner-manager's feelings so they won't tell him if they think his company is behind the times or that his competitors' new models give better service.

On the other hand, some customers will often open up when talking with a complete outsider. For this reason, some companies hire outside consultants to interview their customers, prospects, and distributors. The consultant, if he is a skillful interviewer, can often uncover more information than you or one of your salesmen could.

Such interviewing can give you information in depth about how and why customers buy from you or why they don't buy from you. It can also give you a fresh viewpoint on your sales and marketing problems.

WORK WITH FACTS--NOT GUESSES

Of course, most small companies are limited in the amount they can spend for marketing research. However, with some imagination and work, the owner-manager of a small company can often uncover the facts he needs to do a better sales job.

Operating without such information can be dangerous because most small companies don't have enough financial reserves for riding out mistakes. On major marketing decisions, most small companies must be right the first time.

Successful owner-managers are aware of this danger and work to base their judgments on facts and figures. They shun guesswork in their efforts to get the facts about sales and markets.

FOR FURTHER INFORMATION

Readers who wish to explore further the subject of getting facts for better sales decisions may wish to consult the references indicated below. This list is brief and selective. However, no slight is intended toward authors whose works are not mentioned.

County Business Patterns-- 15 booklets on 15 regions for the first quarter 1959--published jointly by the Bureau of the Census and the Bureau of Old Age and Survivors Insurance. A free list of titles and prices (they range from 75 cents to $1.75) is available from: The Public Information Office, Bureau of the Census, Washington, 25, D.C.

U.S. Department of Commerce Publications for Use In Marketing and Distribution. U.S. Department of Commerce, Superintendent of Documents, Washington 25, D.C. Dec. 1961. 20 cents.

Standard Industrial Classification Manual. The Bureau of the Budget. Superintendent of Documents, Washington 25, D.C. 1957. $2.50.

"Selecting Market Research Services," *Management Aid* No. 117. Small Business Administration, Washington 25, D.C. July 1960. Free.

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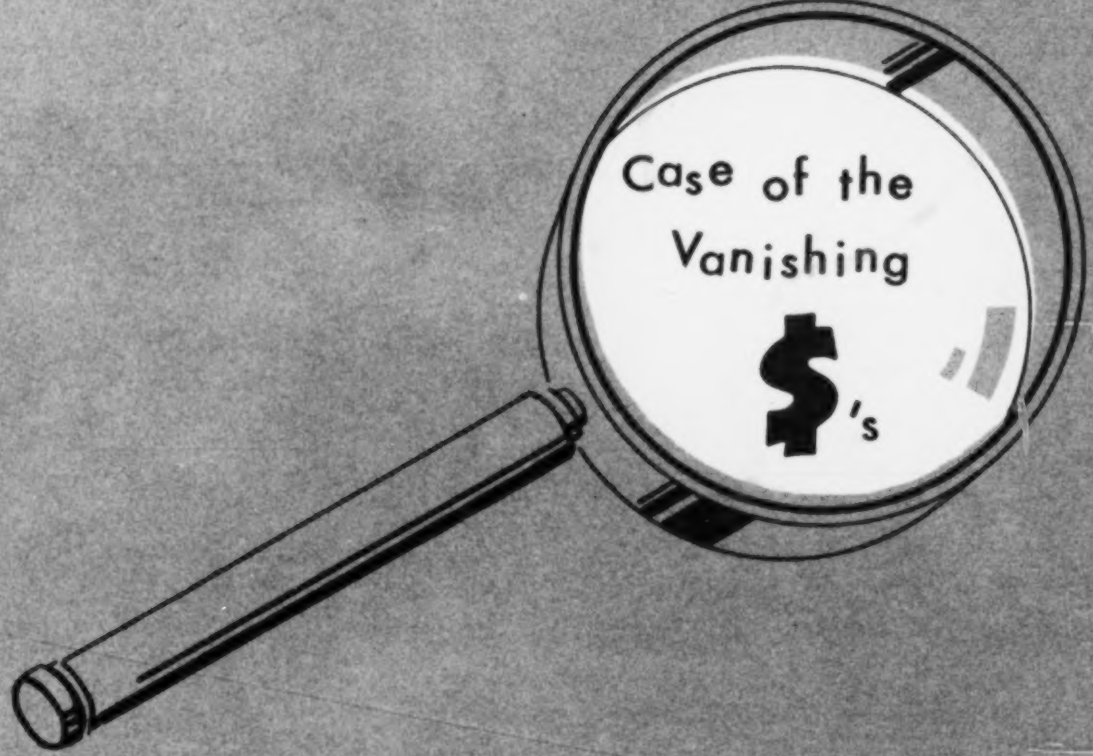

CASES IN POINT

Case Studies for Depth Penetration

Section

The case method has proven stimulative and effective in many administrative management courses. The following case material is suggested as a means of encouraging discussion.

It is suggested that one full session be devoted to the presentation of the topic as outlined in this manual. A case can sometimes be used to stimulate or augment the discussion period that follows the presentation. This could be one way of expanding the basic materials into an advanced course on the subject.

THE CASE METHOD OF STUDY

The case method is a teaching device that helps the student learn through the processes of reasoning and decision making. Other popular teaching techniques stress learning or memorizing other people's knowledge on a given subject. The case method stresses his thinking abilities rather than his memory; it is dynamic, not passive.

What is a case? It is a description of an actual or true-to-life business situation. It is a statement of facts, opinions, and judgments —in short, a problem having no pat answer but lending itself to discussion and analysis.

The case method is particularly helpful in teaching businessmen because it uses real, practical problems rather than abstract situations. Properly used, it involves the participants in a way that will hold their interest and stimulate their thinking. It is particularly useful in developing in the individual (1) the ability to make decisions on administrative tasks (without incurring the penalties of a wrong decision on the job); and (2) the habit of thinking analytically and constructively.

The case method also highlights the value of group discussion and analysis. Each member of the group contributes from his unique experience, and each participant gains from the others. The group's knowledge and experience will exceed that of any one participant—including the instructor.

The following checklist can serve as a procedure for conducting case study and analysis:

Suggestions for Case Study

1. Read the case carefully for general content.
2. Arrange the facts of the case in order of importance.
3. Recognize and define the major problem(s) needing solution.
4. Analyze the problems and their relative importance.
5. Search for and establish alternative solutions.
6. Select the most desirable of the appropriate solutions.
7. Analyze your probable solutions; set up the pros and cons, giving value to each.
8. State your choice, decision, or final conclusion—and be prepared to defend it.
9. Set forth the plan or plans you would follow to implement the decision.

J & L FOOD MARKETS, INCORPORATED

A thriving small business, J & L, has become a leading suburban independent food store. It operates along the lines of the chain stores and successfully competes with them. But the growing concern of consumers about food prices has alerted the firm's management to the fact that they may have to overhaul marketing and promotion practices in order to hold their competitive position and still maintain growth and profits.

The firm has offered trading stamps as a promotion for a period of seven years. This decision was made because of the widespread use of stamps by local chain stores as well as by most stores in the shopping center where the J & L store is located. However, a major chain in the market area has recently discontinued stamps and has heavily promoted the idea that they are lowering prices by eliminating all "gimmicks."

J & L is faced with the problem of whether or not to continue stamps but finds strong feelings both pro and con among their own people and other businesses which they have contacted. They know that trading stamps helped their sales initially and that virtually all customers take the stamps when offered. But the stamps represent a little more than 2 percent of gross sales and now a question arises as to whether the firm is substantially promoting sales any more than they would by discounting prices, particularly in view of what may be a trend away from offering stamps.

So L. E. Jackson, the company president, proposes that the firm undertake marketing research to determine the advisability of such a sales promotion. The management discusses ways in which they can test the advantages of stamps and comes up with a plan whereby the store will offer a customer's option for two weeks, allowing the customers option for two weeks, allowing the customers to either take the stamps or a 2 percent discount on their purchases.

The store decides they will not advertise the option so that it will not become a factor in the test but they instruct checkers to offer the option at the time of payment. A record will be kept of all discounts given so that registers will tally correctly and they will cross check by calculating the number of stamps given. Checkers are also asked to make note of customer reactions to the options.

The test is run and checkers report reactions at the end of each day. They are asked to report separately to the store manager so as not to influence each other. The store manager makes notes so that a daily record of reactions will be kept for inclusion in the marketing report.

The results of the research show that there is a division of opinion as reported by the checkers. Some people are enthusiastic about the cash discount but there are also many who say they prefer the stamps. Further, a compilation of the figures shows that customers were almost equally divided in their options, a little more than half chose the discount and a little less than half took the stamps. When interviewed further, the checkers seemed to agree that most of the people they knew as regular customers wanted to continue with the stamps, many of them commenting that they were saving for particular items.

The management met to discuss the findings but could not come up with a clear cut reason to offer either of the options full time in view of the divided results. The assistant store manager suggested that they might continue to offer the option on a regular basis but the consensus was that the investment in computing the discount would make it impractical.

Then the management hit upon the idea of making a home survey of regular customers and be guided by their indicated preferences. The store maintained a check-cashing service and it was felt that names taken from that list would constitute regular customers. A consultant was called in to construct a questionnaire, hire the interviewers and tabulate the results.

One hundred householders were interviewed and the results showed that a large majority had a strong preference for the stamps. The survey disclosed that women were the main shoppers among these regular customers and that they were particularly in favor of the stamps as a means of saving for things which they could not otherwise have or of which their husbands would not approve. Most shoppers indicated that they would continue to give the store their patronage but would miss the stamps if they were eliminated.

Questions For Discussion

1. What marketing research techniques did J & L utilize?
2. What are some other techniques which J & L might have used to develop the same facts?
3. What policy would you adopt if you were the J & L management?
4. Do you see any errors in the research methods used by the firm?

NOTES ON CASE STUDY

The instructor should keep the class "on the subject" and guard against a subjective discussion of trading stamps. This can be avoided by starting the discussion with a question; either one of those asked at the end of the case or, perhaps, "Do you think J & L's marketing research was a good idea?"

Answers For Discussion Questions

1. The J & L firm utilized *experimental* research in offering the option at the check out counter. Then they used the *home-interview survey* to check results. In one sense they used *observational* research by analyzing the observations made by the store clerks.

2. The firm might also have conducted marketing research by sales analysis (they could have checked to see what effect the offering of stamps had on business at the time stamps were introduced). They could have used store interviews to gather the research information. Mail or telephone survey might have replaced or supplemented the home interviews.

3. The facts seem to indicate that the J & L firm would be well advised to continue offering trading stamps.

4. Two errors, or possible errors, stand out. The management did not attempt to test their hypothesis before undertaking the research. Then in selecting homes to be interviewed from their check cashing records, they may not have selected a valid "universe" for the research.

THE INCUBATOR

A How To Do It

Section

Experience has shown that people achieve maximum benefit from a conference, staff meeting, or training session when a period of incubation follows the implantation of the new idea, new information, or "new slant."

This is a do-it-yourself section that will allow the participants to try out or apply the ideas and information gained from this session.

This material may be reproduced locally for distribution to course participants.

INCUBATOR ASSIGNMENT

Multiple Choice Test

Directions: Choose the phrase that best completes the statement; underline your choice. The first item is an example.

0. Marketing research is—

   a. The technique for promoting a store's merchandise.
   b. The interviewing of consumers for facts.
   c. The scientific study of selling methods.
   d. *The systematic and intense study of those factors that affect any selling business.*

1. Marketing decisions should be always based on—

   a. A democratic employee process.
   b. A study of the business sales record.
   c. All the facts you can reasonably obtain.
   d. A thorough evaluation of competitive practices.

2. Consumer buying habits change rapidly today because—

   a. We are experiencing limited inflation.
   b. Our present society is changing technology rapidly, we communicate ideas faster and we experience more buying opportunities.
   c. Our population is growing younger each year as the "baby boom" following World War II creates a population explosion.
   d. Half the products found in the stores today didn't even exist twenty years ago.

3. Major companies have developed marketing research departments so that—

   a. They can keep their businesses attuned to the changes in consumer demands.
   b. They can keep up with strong sales competition.
   c. They can prove their hunches statistically.
   d. They can foretell the future markets of their products.

4. You can use census statistics—

   a. To tell why people do the things they do.
   b. To construct a profile of your market.
   c. To formulate a specific fact problem.
   d. To determine your trade area.

5. The word "bias" means—

   a. A shift in buying habits.
   b. That your questionnaire doesn't reveal hidden motivations.
   c. Strong preconceptions or prejudices.
   d. The interviewer wrote the wrong answer (either intentionally or unconsciously).

6. Marketing researchers refer to a "universe" to denote—

   a. The total specific population which they wish to learn about.
   b. The infinite nature of scientific surveys.
   c. The size of a representative sample.
   d. All the people in all age groups and all ethnic and socio-economic classifications.

7. "Analyzing the situation" is the step in a survey project which provides—

   a. A tabulation of pertinent facts to be used in the report.
   b. A basis for a policy by which management can solve the marketing problem.
   c. A reevaluation of the research methods to see if they were valid.
   d. A background of information from which a hypothesis can be clearly stated.

8. Motivation research is an important marketing tool because—

   a. It seeks to answer the question of why people buy.
   b. It uses psychologists, sociologists and anthropologists.
   c. It has been used extensively in the development of most national brands.
   d. It provides a clear indication of what consumers say they want in the products they buy.

ANSWERS TO INCUBATION ASSIGNMENT

1. — c.
2. — b.
3. — a.
4. — b.
5. — c.
6. — a.
7. — d.
8. — a.

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